

FINANCIAL STATEMENTS

CITY OF HOUGHTON, MICHIGAN

June 30, 2008

CONTENTS

	Page
Independent Auditor's Report	5
Management's Discussion and Analysis	6
 <u>Basic Financial Statements</u>	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Government Funds:	
Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balance	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	18
Proprietary Funds:	
Statement of Net Assets	19
Statement of Revenues, Expenses and Changes in Net Assets	20
Statement of Cash Flows	21
Fiduciary Fund Types:	
Statement of Net Assets	23
Statement of Changes in Net Assets	24
Discretely Presented Component Units:	
Statement of Net Assets	25
Statement of Activities	26
 Notes to Financial Statements	 27
 <u>Required Supplementary Information</u>	
General Fund - Budgetary Comparison Schedule	54
Major Street and Trunkline Maintenance Fund - Budgetary Comparison Schedule	55
Local Street Fund - Budgetary Comparison Schedule	56
Revolving Fund - Budgetary Comparison Schedule	57
Note to Required Supplementary Information - Budgetary Information	58
 <u>Additional Information</u>	
<u>Financial Statements of Individual Funds</u>	60
Governmental Funds:	61
General Fund:	
Balance Sheets	62
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	63
Special Revenue Funds:	
Combining Balance Sheets	64
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance	65
Major Street and Trunkline Maintenance Fund:	
Balance Sheets	66
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	67
Local Street Fund:	
Balance Sheets	68
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	69
Revolving Fund:	
Balance Sheets	70
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	71
Capital Projects Fund - Public Improvement Fund:	
Balance Sheets	72
Analyses of Changes in Fund Balance	73
Debt Service Fund -	
Combining Balance Sheets	74
Combining Statements of Revenues, Expenditures, and Fund Equity	75

CONTENTS (CONTINUED)

Proprietary Fund Types:	
Water Supply Fund:	
Balance Sheets	76
Statements of Revenues and Expenses	77
Analyses of Changes in Fund Equity	78
Statements of Cash Flows	79
Sewage Disposal System Fund:	
Balance Sheets	80
Statements of Revenues and Expenses	81
Analyses of Changes in Fund Equity	82
Statements of Cash Flows	83
Parking System Fund:	
Balance Sheets	84
Statements of Revenues and Expenses	85
Analyses of Changes in Fund Equity	86
Statements of Cash Flows	87
Transit Fund:	
Balance Sheets	88
Statements of Revenues and Expenses	89
Analyses of Changes in Fund Equity	90
Statements of Cash Flows	91
Equipment Fund:	
Balance Sheets	92
Statements of Revenues and Expenses	93
Analyses of Changes in Retained Earnings	94
Statements of Cash Flows	95
Fiduciary Fund Types:	
Employee Retirement Fund:	
Balance Sheets	96
Statements of Revenues and Expenses	97
Statements of Changes in Fund Balance	98
Employee Benefit Fund:	
Balance Sheets	99
Statements of Revenues and Expenses	100
Analyses of Changes in Retained Earnings	101
Statements of Cash Flows	102
Agency Fund - Tax Collection Fund	
Statements of Changes in Assets and Liabilities	103
<u>Groups of Accounts</u>	104
General Fixed Assets Group of Accounts -	
Statements of General Fixed Assets	105
General Long-Term Debt Group of Accounts -	
Statements of General Long-Term Debt	106
<u>Discretely Presented Component Units</u>	107
Downtown Development Authority:	
Combined Balance Sheets	108
Combined Statements of Revenues, Expenditures,	
and Changes in Fund Balance	109
General Fund:	
Balance Sheets	110
Statements of Revenues, Expenditures, and Changes in	
Fund Balance - Budget and Actual	111
Debt Service Funds:	
Combining Balance Sheets	112
Combining Statements of Revenues, Expenditures,	
and Fund Equity	113
Statements of General Long-Term Debt	114
Tax Increment Finance Authority:	
Combined Balance Sheets	115
Combined Statements of Revenues, Expenditures,	
and Changes in Fund Balance	116

CONTENTS (CONTINUED)

Discretely Presented Component Units (continued)

General Fund:	
Balance Sheets	117
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	118
Debt Service Funds:	
Combining Balance Sheets	119
Combining Statements of Revenues, Expenditures, and Fund Equity	120
Statements of General Long-Term Debt	121
Brownfield Redevelopment Authority:	
Combined Balance Sheets	122
General Fund:	
Balance Sheets	123
Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	124
Statements of General Long-Term Debt	125
<u>Other Financial Information</u>	126
General Fund -	
Statements of Revenues, Expenditures, and Fund Balance	127
Major Street and Trunkline Maintenance Fund -	
Schedules of Expenditures and Reimbursements for State Trunkline Maintenance	129
Transit Fund:	
Schedule of Operating Revenues	130
Schedule of Operating Expenses	131
Schedule of Non-Operating Revenues and Expenses	132
Local Revenues	133
Federal and State Awards	134
Operating and Contract Expenses	135
Schedule of Net Eligible Cost Computations of General Operations	136
Nonurban Regular Service Expense Report	138
Nonurban Regular Service Nonfinancial Report	139
Nonurban Regular Service Revenue Report	140
Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	141
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	143
Schedule of Expenditures of Federal and Selected State Awards	145
Notes to Schedule of Expenditures of Federal and Selected State Awards	146
Schedule of Findings and Questioned Costs	147
Status of Prior Year Findings and Questioned Costs	150
Auditors Communication of Significant Matters with Those Charged With Governance	151

JOSEPH M. DAAVETILA, P.C.
CERTIFIED PUBLIC ACCOUNTANT
417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931
December 22, 2008

City Council
City of Houghton
Houghton, MI 49931

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each fund of the CITY OF HOUGHTON, MICHIGAN as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each fund of the CITY OF HOUGHTON, MICHIGAN as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2008 on our consideration of the CITY OF HOUGHTON, MICHIGAN'S internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 55 through 58 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CITY OF HOUGHTON, MICHIGAN'S basic financial statements. The introductory section, individual fund financial statements, statistical tables, and the accompanying schedule of expenditures of federal and selected state awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements and the schedule of expenditures of federal and selected state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Joseph M Daavetila, PC

Certified Public Accountant

CITY OF HOUGHTON, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended June 30, 2008
(Unaudited)

Our discussion and analysis of the City of Houghton's financial performance provides an overview of the City's financial activities for the year ended June 30, 2008. Please read this report in conjunction with the City's financial statements which begin on Page 13.

USING THIS ANNUAL REPORT

This Annual Report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 13-14) provide information about the activities of the City as a whole and present a long-term view of the City's finances. Fund financial statements start on Page 15. For governmental activities these statements tell how these activities were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operation in more detail than the government-wide statements by providing information about the City's individual funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on Page 8. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about the activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

1. Governmental Activities - Most of the City's basic services are reported here including police, fire, general administration, streets, parks and neighborhoods. Sales taxes, franchise fees, fines, state and federal grants finance most of these activities.
2. Business-type Activities - The City charges a fee to customers to help cover all or most of the cost of certain services provided. The City's water, sewer, transit and parking systems are reported here.
3. Component Units - The City includes three separate legal entities in its report - The Downtown Development Authority, the Tax Increment Finance Authority, and the Brownfield Redevelopment Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on Page 10. The Fund Financial Statements begin on Page 15 and provide detailed information about the most significant funds, not the City as a whole. Some Funds are required to be established by state law and by bond covenants; however, the City Council establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants or other monies. The City's two kinds of funds, government and proprietary, use different accounting approaches:

1. **Governmental Funds** - Most of the City's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at the end of the year which are available for spending. These funds are reported using the accounting method called modified accrual accounting which measures cash and other financial assets that can be easily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. The governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation following the fund financial statements.
2. **Proprietary Funds** - When the City charges customers for the service it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE CITY AS TRUSTEE

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Net Assets and Changes in Net Assets on Pages 23 and 24. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

For the year ending June 30, 2008 the net assets changed as follows:

Table 1
City of Houghton's Net Assets

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Current and other assets	\$ 2,571,330	\$ 2,366,412	\$ 1,284,672	\$ 1,134,389
Capital assets	<u>10,648,042</u>	<u>9,789,359</u>	<u>10,991,153</u>	<u>11,092,932</u>
Total assets	<u>\$13,219,372</u>	<u>\$12,155,771</u>	<u>\$12,275,825</u>	<u>\$12,227,321</u>
Long-term liabilities	\$ 3,200,906	\$ 3,373,717	\$ 4,659,000	\$ 4,781,000
Other liabilities	<u>821,529</u>	<u>413,229</u>	<u>265,194</u>	<u>246,037</u>
Total liabilities	<u>\$ 4,022,435</u>	<u>\$ 3,786,946</u>	<u>\$ 4,924,194</u>	<u>\$ 5,027,037</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 7,476,884	\$ 6,454,189	\$ 6,210,153	\$ 6,196,932
Restricted	-	-	394,885	371,543
Unrestricted	<u>1,720,053</u>	<u>1,914,636</u>	<u>746,593</u>	<u>631,809</u>
Total net assets	<u>\$ 9,196,937</u>	<u>\$ 8,368,825</u>	<u>\$ 7,351,631</u>	<u>\$ 7,200,284</u>

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical statement of revenues and expenses and changes in fund balance. You will notice that expenses are listed in the first column with revenues from a particular program reported to the right. The result is a Net (Expense) Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions of the City's taxpayers. It also identifies how much each function draws from the general revenues, or if it is self-financing, through fees and grants.

Total Primary Government	
<u>2008</u>	<u>2007</u>
\$ 3,856,002	\$ 3,500,801
<u>21,639,195</u>	<u>20,882,291</u>
<u>\$25,495,197</u>	<u>\$24,383,092</u>
\$ 7,859,906	\$ 8,154,717
<u>1,086,723</u>	<u>659,266</u>
<u>\$ 8,946,629</u>	<u>\$ 8,813,983</u>
\$13,687,037	\$12,651,121
394,885	371,543
<u>2,466,646</u>	<u>2,546,445</u>
<u><u>\$16,548,568</u></u>	<u><u>\$15,569,109</u></u>

Table 2

City of Houghton's Changes in Net Assets

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Revenues:				
Program revenues:				
Charges for services	\$ 702,333	\$ 703,943	\$2,930,808	\$2,942,911
Operating grants and contributions	1,804,390	1,838,177	289,590	277,196
Capital grants and contributions	1,467,448	285,416	324,155	70,526
General revenues:				
Property taxes	1,302,875	1,247,092	-	-
Investment earnings	80,178	80,882	38,499	35,962
Gain (loss) on sale of assets	11,300	(17,189)	-	-
Miscellaneous	71,757	39,436	-	-
Total revenues	<u>\$5,440,281</u>	<u>\$4,177,757</u>	<u>\$3,583,052</u>	<u>\$3,326,595</u>
Expenses:				
General government	\$ 842,417	\$ 898,911	\$ -	\$ -
Public safety	813,087	820,535	-	-
Public works	2,305,101	1,685,416	-	-
Community development	80,527	62,167	-	-
Recreation and parks	383,129	305,235	-	-
Interest on long-term debt	132,673	127,437	-	-
Water	-	-	977,484	827,037
Sewer	-	-	1,693,313	1,665,093
Parking	-	-	333,023	292,959
Transit	-	-	570,885	507,425
Total expenses	<u>\$4,556,934</u>	<u>\$3,899,701</u>	<u>\$3,574,705</u>	<u>\$3,292,514</u>
Increase (decrease) in net assets before transfers	\$ 883,347	\$ 278,056	\$ 8,347	\$ 34,081
Transfers	(55,235)	(26,810)	143,000	115,000
Increase in net assets	\$ 828,112	\$ 251,246	\$ 151,347	\$ 149,081
Net assets - beginning of year	<u>8,368,825</u>	<u>8,117,579</u>	<u>7,200,284</u>	<u>7,051,203</u>
Net assets - end of year	<u>\$9,196,937</u>	<u>\$8,368,825</u>	<u>\$7,351,631</u>	<u>\$7,200,284</u>

Total Primary

Government

<u>2008</u>	<u>2007</u>
\$ 3,633,141	\$ 3,646,854
2,093,980	2,115,373
1,791,603	355,942
1,302,875	1,247,092
118,677	116,844
11,300	(17,189)
<u>71,757</u>	<u>39,436</u>
<u>\$ 9,023,333</u>	<u>\$ 7,504,352</u>
\$ 842,417	\$ 898,911
813,087	820,535
2,305,101	1,685,416
80,527	62,167
383,129	305,235
132,673	127,437
977,484	827,037
1,693,313	1,665,093
333,023	292,959
<u>570,885</u>	<u>507,425</u>
<u>\$ 8,131,639</u>	<u>\$ 7,192,215</u>
\$ 891,694	\$ 312,137
<u>87,765</u>	<u>88,190</u>
\$ 979,459	\$ 400,327
<u>15,569,109</u>	<u>15,168,782</u>
<u>\$16,548,568</u>	<u>\$15,569,109</u>

Business-Type Activities (Water, Sewer, Parking and Transit)

The Transit Fund had a significant increase in fund equity due to a federal grant to purchase new busses. The City General Fund had to put in an additional \$51,000 contribution to the Transit Fund to cover flood damages to the garage and the increase in fuel costs. The Parking Fund had a loss in fund equity mainly due to depreciation and a small cash loss. In 2007-08 the City Sewer Fund showed a gain in fund equity. There was a slight decline in revenue and the expenses were the same as last year. Our percent usage of the sewage treatment plant did not go down from last year. The Water Fund had a \$17,600 decrease in revenue resulting from a reduction in sales from both Michigan Tech and the rest of our residential and business sales. Expenses were up about \$150,000 mainly under the categories of source and supply and maintenance.

The City Funds:

General Fund

The General Fund had a \$13,866 decrease in fund balance. Revenues were down for both state fire protection and revenue sharing and slightly up in all other categories. Total expenses were down \$769,000 from last year mainly due to the purchase of a new fire truck and the heating and lighting improvements that we did last year for the City Center.

Major Street Fund

The Major Street system experienced a \$60,553 fund loss. Revenue was about the same as last year, but the expenses under street maintenance and snow removal were significantly up.

Local Street Fund

The Local Street Fund had a loss of \$74,000 in fund balance because the extra voted mills in revenue were down by \$21,500, and our state grant for snow removal was down \$15,000 from last year. We also went over budget by \$30,000 for street paving. Much of the paving was budgeted for the year before but was not completed until this year.

Revolving Loan Fund

The Revolving Loan Fund gave out \$190,500 in loans for downtown building facade improvements and had \$30,000 of income from loan payments.

Public Improvement Fund

The fund balance for Public Improvement is \$1,100 which is down from last year. The Public Improvement Fund is a fund where we should not have a large fund balance as project income and expenses are tracked through this account. Many of the downtown projects are carried over from last year.

Parking Fund

The Parking Fund had a loss in fund equity mainly due to depreciation and a cash loss of \$2,907. We did have a significant increase in revenue from parking fines due to our increased effort to collect on past-due tickets. Expenses were up especially for contracted services for maintenance on the parking decks.

Transit Fund

In the Transit Fund, operating revenues were up slightly while we had a significant increase in expenses mainly due to the fuel cost increase. The City General Fund also had to make an additional contribution to Transit to cover the flood damage done to the building. Some of this expense is covered by insurance. As of the end of the year, we had not received the check from the insurance company.

Water Fund

This year the Water Fund had a slight decrease in revenue from both the residential sales and Michigan Technological University. We had some increase in expenses under source and supply which was due to motor replacement at the water filtration building and also we had additional maintenance that we had to do due to leaks in our system.

Sewer Fund

The Sewer System Fund also had a slight decline in revenue although we did see a gain in fund equity due to the reduction in expenses, especially the expense at the Portage Lake Water and Sewer Authority as our percent usage at the plant was down from last year.

Equipment Fund

This fund had a decrease in retained earnings due to depreciation. The fund had an increase in cash due to other funds paying on previous amounts due from past years. Fuel, parts and repair expense were higher than anticipated due to the longer than usual winter and the price increase in fuel.

Employee Benefit Fund

Expenses and revenues were down compared to 2006-07 as a result of the city employing fewer full-time employees. The increase in retained earnings was due to the expense reduction compared to last year.

General Fund Budgetary Highlights

For 2007-2008 we had an 8 percent increase in property tax revenue and a 5 percent reduction in state shared revenue. Most of the fees the General Fund receives were up slightly from the year before. Revenues were significantly down from the year before as we did not have any loan proceeds or grant income this year. Expenses were in line with last years' expenses except for the City Center building renovations and the fire truck payment that took place last year. The General Fund also had to make a payment of \$76,285 into the Vibrant Small Cities Grant Escrow Account which is going to go towards the purchase of the Carnegie Museum in 2009-2010.

Capital Assets-Debt Administration

Overall for 2007-2008 the City's Capital Assets were up due to significant infrastructure improvements financed through grants. The overall debt was down from last year due to the payment of principal on loans.

Capital Asset and Debt Administration

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 691,259	\$ 691,259	\$ -	\$ -
Investment in Portage Lake Water and Sewer Authority	-	-	941,313	941,313
Buildings	3,148,554	3,238,116	143,429	149,723
Improvements	1,850,235	1,976,501	55,595	45,024
Equipment	1,340,364	1,408,492	563,352	336,057
Infrastructure	<u>3,617,633</u>	<u>2,474,991</u>	<u>9,287,462</u>	<u>9,620,815</u>
Total	<u>\$10,648,045</u>	<u>\$9,789,359</u>	<u>\$10,991,151</u>	<u>\$11,092,932</u>
DEBT				
General Obligation Bonds	\$ 2,265,000	\$2,360,000	\$ -	\$ -
Revenue Bonds	-	-	4,781,000	4,896,000
Installment Purchase Contract	549,805	577,858	-	-
Limited Tax Investment Note	254,000	273,000	-	-
Economic Development Grant Loan	<u>102,354</u>	<u>124,312</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,171,159</u>	<u>\$3,335,170</u>	<u>\$ 4,781,000</u>	<u>\$ 4,896,000</u>

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and show the City's accountability for money it receives. If you have any questions about this report or need financial information, contact the City Clerk at 616 Sheldon Avenue, Houghton, Michigan 49931.

Total Primary Government	
<u>2008</u>	<u>2007</u>
\$ 691,259	\$ 691,259
941,313	941,313
3,291,983	3,387,839
1,905,830	2,021,525
1,903,716	1,744,549
<u>12,905,095</u>	<u>12,095,806</u>
<u>\$21,639,196</u>	<u>\$20,882,291</u>
\$ 2,265,000	\$ 2,360,000
4,781,000	4,896,000
549,805	577,858
254,000	273,000
<u>102,354</u>	<u>124,312</u>
<u>\$ 7,952,159</u>	<u>\$ 8,231,170</u>

CITY OF HOUGHTON, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2008

	<u>Primary Government</u>			
	<u>Governmental</u>	<u>Business -</u>		<u>Component</u>
	<u>Activities</u>	<u>Type</u>	<u>Total</u>	<u>Units</u>
		<u>Activities</u>		
<u>ASSETS</u>				
Cash	\$ 1,205,185	\$ 762,375	\$ 1,967,560	\$ 147,346
Accounts receivable	47,043	285,092	332,135	-
Taxes receivable	45,372	-	45,372	42,536
Due from other governmental units	272,790	14,862	287,652	219,373
Internal balances	244,764	(244,764)	-	-
Inventories	5,554	-	5,554	-
Prepaid expenses	6,067	-	6,067	-
Restricted assets	-	467,107	467,107	-
Investments	246,400	-	246,400	-
Long-term loans	498,155	-	498,155	-
Capital assets - net	<u>10,648,042</u>	<u>10,991,153</u>	<u>21,639,195</u>	<u>4,794,026</u>
TOTAL ASSETS	<u>\$ 13,219,372</u>	<u>\$12,275,825</u>	<u>\$25,495,197</u>	<u>\$5,203,281</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 169,350	\$ 46,039	\$ 215,389	\$ 20,716
Accrued expenses	75,780	92,048	167,828	25,272
Due to component unit	80,154	-	80,154	(82,279)
Due to other governmental units	-	5,107	5,107	-
Deferred revenue	333,230	-	333,230	-
Noncurrent liabilities:				
Due within one year	163,015	122,000	285,015	200,487
Due in more than one year	<u>3,200,906</u>	<u>4,659,000</u>	<u>7,859,906</u>	<u>2,002,291</u>
TOTAL LIABILITIES	<u>\$ 4,022,435</u>	<u>\$ 4,924,194</u>	<u>\$ 8,946,629</u>	<u>\$2,166,487</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	\$ 7,476,884	\$ 6,210,153	\$13,687,037	\$3,633,757
Restricted for debt service	-	394,885	394,885	-
Unrestricted	<u>1,720,053</u>	<u>746,593</u>	<u>2,466,646</u>	<u>(596,963)</u>
TOTAL NET ASSETS	<u>\$ 9,196,937</u>	<u>\$ 7,351,631</u>	<u>\$16,548,568</u>	<u>\$3,036,794</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2008

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Primary Government:				
Governmental activities:				
General government	\$ 842,417	\$ 239,855	\$ 801,353	\$ -
Public safety	813,087	6,449	32,544	-
Public works	2,305,101	322,566	971,493	1,467,448
Community development	80,527	-	-	-
Recreation and parks	383,129	133,463	-	-
Interest on long-term debt	<u>132,673</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$4,556,934</u>	<u>\$ 702,333</u>	<u>\$ 1,804,390</u>	<u>\$ 1,467,448</u>
Business-type activities:				
Water	\$ 977,484	\$ 903,594	\$ -	\$ -
Sewer	1,693,313	1,775,706	-	-
Parking	333,023	142,433	-	-
Transit	<u>570,885</u>	<u>109,075</u>	<u>289,590</u>	<u>324,155</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$3,574,705</u>	<u>\$2,930,808</u>	<u>\$ 289,590</u>	<u>\$ 324,155</u>
TOTAL PRIMARY GOVERNMENT	<u>\$8,131,639</u>	<u>\$3,633,141</u>	<u>\$ 2,093,980</u>	<u>\$ 1,791,603</u>
Component Units:				
DDA	\$ 177,013	\$ -	\$ -	\$ -
TIFA	291,367	-	-	-
Brownfield	<u>5,859</u>	<u>-</u>	<u>5,859</u>	<u>-</u>
TOTAL COMPONENT UNITS	<u>\$ 474,239</u>	<u>\$ -</u>	<u>\$ 5,859</u>	<u>\$ -</u>

General revenues:

Property taxes, levied for general purposes
Unrestricted investment earnings
Miscellaneous
Special item - Gain (loss) on sale of assets
Transfers

Total general revenues, special items and transfers

Change in net assets

Net assets at beginning of year, as adjusted

Net assets at end of year

The accompanying notes to financial statements
are an integral part of this statement.

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Primary Government</u>			
<u>Government</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>	<u>Component</u> <u>Units</u>
\$ 198,791	\$ -	\$ 198,791	
(774,094)	-	(774,094)	
455,406	-	455,406	
(80,527)	-	(80,527)	
(249,666)	-	(249,666)	
(<u>132,673</u>)	<u>-</u>	(<u>132,673</u>)	
(\$ 582,763)	\$ -	(\$ 582,763)	
\$ -	(\$ 73,890)	(\$ 73,890)	
-	82,393	82,393	
-	(190,590)	(190,590)	
<u>-</u>	<u>151,935</u>	<u>151,935</u>	
\$ -	(\$ 30,152)	(\$ 30,152)	
(\$ 582,763)	(\$ 30,152)	(\$ 612,915)	
\$ -	\$ -	\$ -	(\$ 177,013)
-	-	-	(291,367)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ -	(\$ 468,380)
\$1,302,875	\$ -	\$ 1,302,875	\$ 985,372
80,178	38,499	118,677	16,121
71,757	-	71,757	-
11,300	-	11,300	5,343
(<u>55,235</u>)	<u>143,000</u>	<u>87,765</u>	(<u>87,765</u>)
<u>\$1,410,875</u>	<u>\$ 181,499</u>	<u>\$ 1,592,374</u>	<u>\$ 919,071</u>
\$ 828,112	\$ 151,347	\$ 979,459	\$ 450,691
<u>8,368,825</u>	<u>7,200,284</u>	<u>15,569,109</u>	<u>2,586,103</u>
<u><u>\$9,196,937</u></u>	<u><u>\$7,351,631</u></u>	<u><u>\$16,548,568</u></u>	<u><u>\$3,036,794</u></u>

CITY OF HOUGHTON, MICHIGAN

GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 399,309	\$ 115,169	\$ 53,361
Accounts receivable	40,894	-	-
Taxes receivable	45,372	-	-
Prepaid expenses	6,067	-	-
Inventories	5,554	-	-
Due from other funds	110,254	132	-
Due from other governmental units	100,746	50,799	51,245
Due from component units	30,000	-	6,712
Long-term loan	51,754	-	-
Investments	246,400	-	-
TOTAL ASSETS	<u>\$1,036,350</u>	<u>\$ 166,100</u>	<u>\$ 111,318</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 75,909	\$ 17,691	\$ 232
Accrued expenses	41,865	3,572	4,335
Due to other funds	35,912	31,204	104,893
Due to component units	15,383	-	-
Deferred revenue	58,783	-	-
TOTAL LIABILITIES	<u>\$ 227,852</u>	<u>\$ 52,467</u>	<u>\$ 109,460</u>
<u>FUND BALANCES</u>			
Reserved for inventory	\$ 5,554	\$ -	\$ -
Unreserved, reported in:			
General fund	802,944	-	-
Special revenue funds	-	113,633	1,858
Capital project fund	-	-	-
Debt service funds	-	-	-
TOTAL FUND BALANCES	<u>\$ 808,498</u>	<u>\$ 113,633</u>	<u>\$ 1,858</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,036,350</u>	<u>\$ 166,100</u>	<u>\$ 111,318</u>

The accompanying notes to financial statements
are an integral part of this statement.

<u>Revolving</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
\$ 17,386	453,877	\$ 4,915	\$1,044,017
-	6,149	-	47,043
-	-	-	45,372
-	-	-	6,067
-	-	-	5,554
61,363	50,794	-	222,543
-	70,000	-	272,790
-	-	-	36,712
446,401	-	-	498,155
-	-	-	246,400
<u>\$ 525,150</u>	<u>\$ 580,820</u>	<u>\$ 4,915</u>	<u>\$2,424,653</u>

\$ -	\$ 41,744	\$ -	\$ 135,576
-	3,679	-	53,451
-	122,288	-	294,297
-	78,769	-	94,152
<u>446,401</u>	<u>333,230</u>	<u>-</u>	<u>838,414</u>
<u>\$ 446,401</u>	<u>\$ 579,710</u>	<u>\$ -</u>	<u>\$1,415,890</u>

\$ -	\$ -	\$ -	\$ 5,554
-	-	-	802,944
78,749	-	-	194,240
-	1,110	-	1,110
<u>-</u>	<u>-</u>	<u>4,915</u>	<u>4,915</u>
<u>\$ 78,749</u>	<u>\$ 1,110</u>	<u>\$ 4,915</u>	<u>\$1,008,763</u>
<u>\$ 525,150</u>	<u>\$ 580,820</u>	<u>\$ 4,915</u>	<u>\$2,424,653</u>

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Total fund balance - total governmental funds	\$1,008,763
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	9,675,962
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	505,184
Internal service funds are used by management to charge the costs of certain activities, such as equipment rental, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.	1,317,130
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in governmental funds balance sheet.	(17,742)
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	(<u>3,292,360</u>)
Net assets of governmental activities	<u><u>\$9,196,937</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 Year ended June 30, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>
REVENUES:			
Taxes	\$1,206,593	\$ -	\$ 113,442
License and permits	6,950	-	-
State and federal grants	833,897	761,244	209,249
Charges for services	697,933	-	-
Interest and rents	66,172	6,550	2,743
Other revenue	<u>54,036</u>	<u>-</u>	<u>1,432</u>
TOTAL REVENUES	<u>\$2,865,581</u>	<u>\$ 767,794</u>	<u>\$ 326,866</u>
EXPENDITURES:			
General government	\$ 680,661	\$ 38,103	\$ 28,697
Public safety	789,237	-	-
Public works	508,650	765,244	407,237
Recreation and parks	277,531	-	-
Loans	-	-	-
Other expenditures	76,013	-	-
Debt service:			
Principal	54,048	-	-
Interest and other charges	<u>30,553</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$2,416,693</u>	<u>\$ 803,347</u>	<u>\$ 435,934</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 448,888</u>	<u>(\$ 35,553)</u>	<u>(\$ 109,068)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	\$ 5,700	\$ -	\$ 35,000
Transfers out	<u>(468,454)</u>	<u>(25,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 462,754)</u>	<u>(\$ 25,000)</u>	<u>\$ 35,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(\$ 13,866)</u>	<u>(\$ 60,553)</u>	<u>(\$ 74,068)</u>
Fund balances at beginning of year	<u>\$ 822,364</u>	<u>\$ 174,186</u>	<u>\$ 75,926</u>
Fund balances at end of year	<u><u>\$ 808,498</u></u>	<u><u>\$ 113,633</u></u>	<u><u>\$ 1,858</u></u>

The accompanying notes to financial statements
 are an integral part of this statement.

<u>Revolving</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$1,320,035
-	-	-	6,950
-	1,199,943	-	3,004,333
-	-	-	697,933
4,694	-	-	80,159
<u>25,527</u>	<u>279,505</u>	<u>-</u>	<u>360,500</u>
<u>\$ 30,221</u>	<u>\$1,479,448</u>	<u>\$ -</u>	<u>\$5,469,910</u>
\$ 1,094	\$ 4,186	\$ -	\$ 752,741
-	-	-	789,237
-	1,709,471	-	3,390,602
-	-	-	277,531
190,502	-	-	190,502
-	-	-	76,013
-	-	95,000	149,048
<u>-</u>	<u>-</u>	<u>99,757</u>	<u>130,310</u>
<u>\$ 191,596</u>	<u>\$1,713,657</u>	<u>\$ 194,757</u>	<u>\$5,755,984</u>
<u>(\$ 161,375)</u>	<u>(\$ 234,209)</u>	<u>(\$ 194,757)</u>	<u>(\$ 286,074)</u>
\$ -	\$ 206,562	\$ 194,757	\$ 442,019
<u>-</u>	<u>-</u>	<u>-</u>	<u>(493,454)</u>
<u>\$ -</u>	<u>\$ 206,562</u>	<u>\$ 194,757</u>	<u>(\$ 51,435)</u>
<u>(\$ 161,375)</u>	<u>(\$ 27,647)</u>	<u>\$ -</u>	<u>(\$ 337,509)</u>
<u>\$ 240,124</u>	<u>\$ 28,757</u>	<u>\$ 4,915</u>	<u>\$1,346,272</u>
<u>\$ 78,749</u>	<u>\$ 1,110</u>	<u>\$ 4,915</u>	<u>\$1,008,763</u>

CITY OF HOUGHTON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2008

Net change in fund balances - total governmental funds	(\$ 337,509)
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	1,290,264
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources; therefore, depreciation expense is not reported as an expenditure in governmental funds. Includes Internal Service Fund's depreciation expense of \$240,230 and reduced by depreciation recaptured on assets sold of \$35,870.	(612,653)
Repayments of long-term debt is an expenditure in the governmental funds, but not in the statement of activities where it reduces long-term debt.	142,531
Repayments of revolving loan fund loan principal, in the amount of \$25,527 is recorded as revenue in the governmental funds. Issuance of revolving loan funds in the amount of \$192,242 is recorded as an expenditure in the governmental funds. These amounts are not recorded in the statement of activities.	166,715
Some property tax and long-term receivables will not be collected until after the City's fiscal year end; therefore, they are not considered "available" revenues in the governmental funds.	(17,160)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as an expenditure in governmental funds.	1,415
Internal service funds are used by management to charge the costs of certain activities, such as equipment rentals, to individual funds. The net revenue of the Internal Service Fund is reported with governmental activities net of amount allocated to business-type and component units activities and depreciation expense.	
Change in net assets	(\$ 55,509)
Net of amount allocated to business-type and component unit activities	9,788
Depreciation expense	240,230
	<u>194,509</u>
Change in net assets of governmental activities	<u>\$ 828,112</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 June 30, 2008

Business-Type Activities - Enterprise Funds				
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund	Transit Fund
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash	\$ 50,419	\$ 706,690	\$ 2,740	\$ 2,526
Accounts receivable	91,398	189,593	-	4,101
Due from other funds	-	11,722	-	-
Due from component units	-	-	-	-
Due from other governmental units	-	-	-	14,862
TOTAL CURRENT ASSETS	<u>\$ 141,817</u>	<u>\$ 908,005</u>	<u>\$ 2,740</u>	<u>\$ 21,489</u>
<u>NONCURRENT ASSETS</u>				
Restricted assets	\$ 423,540	\$ 43,567	\$ -	\$ -
Capital assets:				
Property and equipment	9,427,387	5,522,182	4,418,758	1,631,742
Less accumulated depreciation	(3,849,926)	(3,560,740)	(2,516,128)	(1,023,435)
Investment in Portage Lake Water and Sewer Authority	-	941,313	-	-
TOTAL NONCURRENT ASSETS	<u>\$6,001,001</u>	<u>\$2,946,322</u>	<u>\$1,902,630</u>	<u>\$ 608,307</u>
TOTAL ASSETS	<u>\$6,142,818</u>	<u>\$3,854,327</u>	<u>\$1,905,370</u>	<u>\$ 629,796</u>
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts payable	\$ 24,841	\$ 8,238	\$ 4,723	\$ 8,237
Accrued wages and benefits	6,735	2,914	1,593	8,584
Accrued expenses	64,234	7,988	-	-
Due to other funds	10,925	4,432	286,764	16,801
Due to other governmental units	-	5,107	-	-
Current maturities on long-term debt	72,000	50,000	-	-
TOTAL CURRENT LIABILITIES	<u>\$ 178,735</u>	<u>\$ 78,679</u>	<u>\$ 293,080</u>	<u>\$ 33,622</u>
<u>NONCURRENT LIABILITIES</u>				
Loans payable	\$ -	\$ -	\$ -	\$ -
Bonds payable	4,316,000	465,000	-	-
Less current maturities	(72,000)	(50,000)	-	-
TOTAL NONCURRENT LIABILITIES	<u>\$4,244,000</u>	<u>\$ 415,000</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$4,422,735</u>	<u>\$ 493,679</u>	<u>\$ 293,080</u>	<u>\$ 33,622</u>
<u>NET ASSETS</u>				
Invested in capital assets - net of related debt	\$1,261,461	\$2,437,755	\$1,902,630	\$ 608,307
Restricted for debt service	359,306	35,579	-	-
Unrestricted	99,316	887,314	(290,340)	(12,133)
TOTAL NET ASSETS	<u>\$1,720,083</u>	<u>\$3,360,648</u>	<u>\$1,612,290</u>	<u>\$ 596,174</u>

Reconciliation to government-wide statement of net assets:

Adjustment to reflect the consolidation of Internal Service Fund's activities
related to enterprise funds.

Net assets of business-type activities.

The accompanying notes to financial statements
are an integral part of this statements.

<u>Totals</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 762,375	\$ 161,169
285,092	-
11,722	386,823
-	1,173
<u>14,862</u>	<u>-</u>
<u>\$ 1,074,051</u>	<u>\$ 549,165</u>
\$ 467,107	\$ -
21,000,069	3,576,593
(10,950,229)	(2,604,514)
<u>941,313</u>	<u>-</u>
<u>\$11,458,260</u>	<u>\$ 972,079</u>
<u>\$12,532,311</u>	<u>\$ 1,521,244</u>
\$ 46,039	\$ 33,774
19,826	3,473
72,222	1,114
318,922	7,869
5,107	-
<u>122,000</u>	<u>11,561</u>
<u>\$ 584,116</u>	<u>\$ 57,791</u>
\$ -	\$ 71,561
4,781,000	-
(<u>122,000</u>)	(<u>11,561</u>)
<u>\$ 4,659,000</u>	<u>\$ 60,000</u>
<u>\$ 5,243,116</u>	<u>\$ 117,791</u>
\$ 6,210,153	\$ 900,518
394,885	-
<u>684,157</u>	<u>502,935</u>
<u>\$ 7,289,195</u>	<u><u>\$ 1,403,453</u></u>
<u>62,436</u>	
<u><u>\$ 7,351,631</u></u>	

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year ended June 30, 2008

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Supply Fund</u>	<u>Sewer Disposal System Fund</u>	<u>Parking System Fund</u>	<u>Transit Fund</u>
Operating revenues:				
Utility Services	\$ 874,194	\$1,775,706	\$ -	\$ -
Parking revenues	-	-	142,433	-
Transit fares	-	-	-	109,075
Rents and other revenues	<u>29,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>\$ 903,594</u>	<u>\$1,775,706</u>	<u>\$ 142,433</u>	<u>\$109,075</u>
Operating expenses:				
Operating expenses -				
Less depreciation	\$ 590,111	\$1,560,082	\$ 221,179	\$447,373
Depreciation	<u>188,413</u>	<u>103,635</u>	<u>108,544</u>	<u>72,850</u>
TOTAL OPERATING EXPENSES	<u>\$ 778,524</u>	<u>\$1,663,717</u>	<u>\$ 329,723</u>	<u>\$520,223</u>
OPERATING INCOME (LOSS)	<u>\$ 125,070</u>	<u>\$ 111,989</u>	<u>(\$ 187,290)</u>	<u>(\$411,148)</u>
Non-operating revenues:				
Interest income and other revenue	\$ 18,946	\$ 19,529	\$ 9	\$ 15
Gain on sale of equipment	-	-	-	-
Operating grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>289,590</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 18,946</u>	<u>\$ 19,529</u>	<u>\$ 9</u>	<u>\$289,605</u>
Non-operating expenses:				
Interest	\$ 196,193	\$ 26,698	\$ -	\$ 3
Service grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,638</u>
TOTAL NON-OPERATING EXPENSES	<u>\$ 196,193</u>	<u>\$ 26,698</u>	<u>\$ -</u>	<u>\$ 50,641</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(\$ 52,177)</u>	<u>\$ 104,820</u>	<u>(\$ 187,281)</u>	<u>(\$172,184)</u>
Capital contributions	-	-	-	324,155
Transfers in (out)	<u>-</u>	<u>(15,000)</u>	<u>50,000</u>	<u>108,000</u>
CHANGE IN NET ASSETS	<u>(\$ 52,177)</u>	<u>\$ 89,820</u>	<u>(\$ 137,281)</u>	<u>\$259,971</u>
Total net assets - beginning	<u>\$1,772,260</u>	<u>\$3,270,828</u>	<u>\$1,749,571</u>	<u>\$336,203</u>
Total net assets - ending	<u><u>\$1,720,083</u></u>	<u><u>\$3,360,648</u></u>	<u><u>\$1,612,290</u></u>	<u><u>\$596,174</u></u>

Amounts reported for business-type activities in the statement of activities are different because:

The net revenue (expense) of certain internal funds are reported with business-type activities.

Change in net assets of business-type activities.

The accompanying notes to financial statements are an integral part of this statement.

<u> </u>	Governmental Activities- Internal Service Fund
<u>Totals</u>	

\$2,649,900	\$ -
142,433	-
109,075	-
<u>29,400</u>	<u>756,845</u>
<u>\$2,930,808</u>	<u>\$ 756,845</u>

\$2,818,745	\$ 575,865
<u>473,442</u>	<u>240,230</u>
<u>\$3,292,187</u>	<u>\$ 816,095</u>
(\$ 361,379)	(\$ 59,250)

\$ 38,499	\$ 19
-	11,300
<u>289,590</u>	<u>-</u>
<u>\$ 328,089</u>	<u>\$ 11,319</u>

\$ 222,894	\$ 3,778
<u>50,638</u>	<u>-</u>
<u>\$ 273,532</u>	<u>\$ 3,778</u>

(\$ 306,822)	(\$ 51,079)
324,155	-
<u>143,000</u>	<u>(3,800)</u>
\$ 160,333	(\$ 55,509)
	<u>\$ 1,458,962</u>
	<u><u>\$ 1,403,453</u></u>

(<u>8,986</u>)
<u><u>\$ 151,347</u></u>

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year ended June 30, 2008

	Business-Type Activities Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
Cash flows from operating activities:			
Receipts from customers	\$914,903	\$1,798,144	\$143,431
Payments to suppliers	(393,366)	(1,424,318)	(142,723)
Payments to employees	(193,345)	(121,841)	(75,664)
Other receipts (payments)	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$328,192</u>	<u>\$ 251,985</u>	<u>(\$ 74,956)</u>
Cash flows from noncapital financing activities:			
(Increase) decrease in due from other funds and component units	\$ 652	\$ 22,095	\$ -
(Increase) decrease in due from other governmental units	-	-	-
Increase (decrease) in due to other funds and component units	(37,720)	2,397	22,040
Increase (decrease) in due to other governmental units	-	-	-
Transfers from other funds and component units	-	-	50,000
Transfers to other funds and component units	-	(15,000)	-
Proceeds from grants	-	-	-
Specialized services grants paid	-	-	-
Interest expense and finance charges	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>(\$ 37,068)</u>	<u>\$ 9,492</u>	<u>\$ 72,040</u>
Cash flows from capital and related financing activities:			
Capital contributions	\$ -	\$ -	\$ -
Proceeds from sale of equipment	-	-	-
Acquisition of property, plant and equipment	(42,016)	-	-
Issuance (reduction) of long-term debt	(70,000)	(45,000)	-
(Increase) decrease in grants receivable	-	-	-
(Increase) decrease in restricted assets	(19,449)	(2,191)	-
Interest paid on long-term debt	<u>(197,224)</u>	<u>(27,369)</u>	<u>-</u>
Net cash provided (used) by capital and related financing activities	<u>(\$328,689)</u>	<u>(\$ 74,560)</u>	<u>\$ -</u>

The accompanying notes to financial statements
are an integral part of this statement.

<u>Transit Fund</u>	<u>Totals</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 114,402	\$2,970,880	\$ 910,270
(143,429)	(2,103,836)	(480,232)
(295,166)	(686,016)	(78,757)
<u>-</u>	<u>-</u>	<u>1,873</u>
(\$ 324,193)	\$ 181,028	\$ 353,154
\$ -	\$ 22,747	\$ -
(12,044)	(12,044)	-
1,616	(11,667)	-
(12,979)	(12,979)	-
108,000	158,000	11,900
-	(15,000)	(15,700)
289,590	289,590	-
(50,638)	(50,638)	-
(<u>3</u>)	(<u>3</u>)	<u>-</u>
\$ 323,542	\$ 368,006	(\$ 3,800)
\$ 324,155	\$ 324,155	\$ -
-	-	11,300
(329,647)	(371,663)	(181,071)
-	(115,000)	(14,963)
2,107	2,107	-
-	(21,640)	-
<u>-</u>	(<u>224,593</u>)	(<u>3,941</u>)
(\$ 3,385)	(\$ 406,634)	(\$ 188,675)

CITY OF HOUGHTON, MICHIGAN

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (CONTINUED)
Year ended June 30, 2008

	Business-Type Activities Enterprise Funds		
	Water Supply Fund	Sewer Disposal System Fund	Parking System Fund
Cash flows from investing activities -			
Interest received	\$ 18,946	\$ 19,529	\$ 9
Net increase (decrease) in cash and cash equivalents	(\$ 18,619)	\$ 206,446	(\$ 2,907)
Cash - beginning of year	69,038	500,244	5,647
Cash - end of year	\$ 50,419	\$ 706,690	\$ 2,740
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 125,070	\$ 111,989	(\$ 187,290)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -			
Depreciation expense	188,413	103,635	108,544
Changes in assets and liabilities:			
Receivables	11,309	22,438	998
Due from other funds and component units	-	-	-
Due from other governmental units	-	2,055	-
Accounts and other payables	886	3,847	2,830
Accrued expenses	2,514	2,914	(38)
Due to other funds	-	-	-
Due to other governmental units	-	5,107	-
Net cash provided by operating activities	\$ 328,192	\$ 251,985	(\$ 74,956)

The accompanying notes to financial statements
are an integral part of this statement.

<u>Transit Fund</u>	<u>Totals</u>	Governmental Activities - Internal Service <u>Fund</u>
\$ 15	\$ 38,499	\$ 19
(\$ 4,021)	\$ 180,899	\$ 160,698
<u>6,547</u>	<u>581,476</u>	<u>471</u>
<u>\$ 2,526</u>	<u>\$ 762,375</u>	<u>\$ 161,169</u>
(\$ 411,148)	(\$ 361,379)	(\$ 59,250)
72,850	473,442	240,230
5,327	40,072	-
-	-	177,036
-	2,055	-
4,649	12,212	14,805
4,129	9,519	2,071
-	-	(21,738)
<u>-</u>	<u>5,107</u>	<u>-</u>
<u>(\$ 324,193)</u>	<u>\$ 181,028</u>	<u>\$ 353,154</u>

CITY OF HOUGHTON, MICHIGAN

FIDUCIARY FUND TYPES
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Pension Trust Fund Employee Retirement Fund</u>	<u>Employee Benefit Fund</u>	<u>Agency Fund Tax Collection Fund</u>
<u>ASSETS</u>			
Cash	\$ 88,438	\$ 387,768	\$ 41,104
Investments - at fair value	3,276,242	-	-
Prepaid expenses	-	35,714	-
Loans to retirement plan participants	17,647	-	-
TOTAL ASSETS	<u>\$3,382,327</u>	<u>\$ 423,482</u>	<u>\$ 41,104</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ 707	\$ -
Due to other governmental units	-	-	38,979
Due to component units	-	-	2,125
Accumulated employee sick leave	-	68,362	-
Accumulated employee vacation	-	69,867	-
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 138,936</u>	<u>\$ 41,104</u>
<u>NET ASSETS</u>			
Held in trust for pension benefits	\$3,382,327	\$ -	\$ -
Unrestricted	-	284,546	-
TOTAL NET ASSETS	<u>\$3,382,327</u>	<u>\$ 284,546</u>	<u>\$ -</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 FIDUCIARY FUND TYPES
 STATEMENT OF CHANGES IN NET ASSETS
 Year ended June 30, 2008

	<u>Pension Trust Fund Employee Retirement Fund</u>	<u>Employee Benefit Fund</u>
Operating revenues:		
Employer contributions	\$ 187,198	\$ -
Investment income (loss)	255,350	-
Charges for services	-	1,075,822
Other revenue	<u>-</u>	<u>24,668</u>
TOTAL OPERATING REVENUES	<u>\$ 442,548</u>	<u>\$1,100,490</u>
Operating expenses:		
Plan distributions	\$ 325,034	\$ -
Payroll taxes - employer share	-	129,058
Hospitalization insurance	-	363,729
Sick pay	-	49,330
Vacation pay	-	90,117
Holiday pay	-	39,286
Funeral leave	-	415
Longevity pay	-	8,600
Workers' compensation insurance	-	48,530
Unemployment insurance	-	4,105
Retirement contributions	-	187,198
Life insurance	-	33,096
Disability insurance	-	6,387
Other	<u>-</u>	<u>12,575</u>
TOTAL OPERATING EXPENSES	<u>\$ 325,034</u>	<u>\$ 972,426</u>
OPERATING INCOME (LOSS)	\$ 117,514	\$ 128,064
Nonoperating revenues (expenses) -		
Net appreciation (depreciation) in fair value of investments	(<u>668,859</u>)	<u>-</u>
Changes in net assets	(\$ 551,345)	\$ 128,064
Net assets - beginning of year	<u>3,933,672</u>	<u>156,482</u>
Net assets - end of year	<u><u>\$3,382,327</u></u>	<u><u>\$ 284,546</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

COMPONENT UNITS
STATEMENT OF NET ASSETS
June 30, 2008

	Downtown Development Authority	Tax Increment Finance Authority	Brownfield Redevelopment Authority	Totals
<u>ASSETS</u>				
Cash	\$ 114,584	\$ 32,660	\$ 102	\$ 147,346
Taxes receivable	10,262	32,274	-	42,536
Due from primary government	-	90,536	15,383	105,919
Due from other governmental units	-	-	219,373	219,373
Capital assets-net	<u>824,454</u>	<u>3,969,572</u>	<u>-</u>	<u>4,794,026</u>
TOTAL ASSETS	<u>\$ 949,300</u>	<u>\$4,125,042</u>	<u>\$ 234,858</u>	<u>\$5,309,200</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 2,268	\$ 18,448	\$ -	\$ 20,716
Accrued expenses	9,880	15,392	-	25,272
Due to primary government	23,640	-	-	23,640
Noncurrent liabilities:				
Due within one year	48,543	110,000	41,944	200,487
Due in more than one year	<u>804,862</u>	<u>1,020,000</u>	<u>177,429</u>	<u>2,002,291</u>
TOTAL LIABILITIES	<u>\$ 889,193</u>	<u>\$1,163,840</u>	<u>\$ 219,373</u>	<u>\$2,272,406</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	\$ 769,454	\$2,839,572	\$ -	\$3,609,026
Unrestricted	<u>(709,347)</u>	<u>121,630</u>	<u>15,485</u>	<u>(572,232)</u>
TOTAL NET ASSETS	<u><u>\$ 60,107</u></u>	<u><u>\$2,961,202</u></u>	<u><u>\$ 15,485</u></u>	<u><u>\$3,036,794</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

COMPONENT UNITS - STATEMENT OF ACTIVITIES
Year ended June 30, 2008

		<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
	<u>Expenses</u>			
Functions/Programs				
Downtown Development				
Authority:				
General government	\$ 133,739	\$ -	\$ -	\$ -
Parks and recreation	24,731	-	-	-
Public works	<u>18,543</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL DOWNTOWN				
DEVELOPMENT AUTHORITY	<u>\$ 177,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Tax Increment				
Finance Authority:				
General government	\$ 196,131	\$ -	\$ -	\$ -
Public works	<u>95,236</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL TAX INCREMENT				
FINANCE AUTHORITY	<u>\$ 291,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Brownfield Redevelopment				
Authority -				
General government	<u>\$ 5,859</u>	<u>\$ -</u>	<u>\$ 5,859</u>	<u>\$ -</u>

General revenues:

Property taxes, levied for general purposes
Unrestricted investment earnings
Miscellaneous
Transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes to financial statements
are an integral part of this statement.

<u>Net (Expenses) Revenues and Changes in Net Assets</u>			
<u>Downtown Development Authority</u>	<u>Tax Increment Finance Authority</u>	<u>Brownfield Redevelopment Authority</u>	<u>Total</u>
(\$ 133,739)	\$ -	\$ -	(\$ 133,739)
(24,731)	-	-	(24,731)
(<u>18,543</u>)	<u>-</u>	<u>-</u>	(<u>18,543</u>)
(\$ <u>177,013</u>)	\$ <u>-</u>	\$ <u>-</u>	(\$ <u>177,013</u>)
\$ -	(\$ 196,131)	\$ -	(\$ 196,131)
<u>-</u>	(<u>95,236</u>)	<u>-</u>	(<u>95,236</u>)
\$ <u>-</u>	(\$ <u>291,367</u>)	\$ <u>-</u>	(\$ <u>291,367</u>)
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ 353,670	\$ 631,702	\$ -	\$ 985,372
5,843	10,278	-	16,121
5,343	-	-	5,343
(<u>87,765</u>)	<u>-</u>	<u>-</u>	(<u>87,765</u>)
\$ <u>277,091</u>	\$ <u>641,980</u>	\$ <u>-</u>	\$ <u>919,071</u>
\$ 100,078	\$ 350,613	\$ -	\$ 450,691
(<u>39,971</u>)	<u>2,610,589</u>	<u>15,485</u>	<u>2,586,103</u>
\$ <u><u>60,107</u></u>	\$ <u><u>2,961,202</u></u>	\$ <u><u>15,485</u></u>	\$ <u><u>3,036,794</u></u>

CITY OF HOUGHTON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2008

NOTE A - DESCRIPTION OF CITY OPERATIONS

The City was organized on June 8, 1970 and covers an area of approximately 1,869 acres. The City operates under a Council-Manager form of government with an elected council of seven members.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Houghton conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Houghton:

REPORTING ENTITY

The City of Houghton is governed by an elected seven-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. The discretely presented component units are reported in a separate government-wide financial statements to emphasize that column in the they are legally separate from the government (see discussion below for description).

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate fund types and account groups.

BUILDING AUTHORITY

The Building Authority of the City of Houghton is governed by a five member board appointed by the City Council. It was created to facilitate the issuance of bonded debt. This unit has no day-to-day operations and the debt issued by it is reflected in the government-wide statement of net assets under governmental activities and component units.

DISCRETELY PRESENTED COMPONENT UNITS

The following component units are reported within the "component units" column in the financial statements. A discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Downtown Development Authority, the Tax Increment Finance Authority and the Brownfield Redevelopment Authority are considered to be component units of the City and their financial statements are presented discretely with the City's. The Downtown Development Authority, the Tax Increment Finance Authority and the Brownfield Redevelopment Authority are governed by the same board. The board consists of nine members which include the City Manager and 8 others that are appointed by the Mayor subject to approval by the City Council.

The Houghton Housing Commission is a component unit of the City of Houghton. It is governed by a five member board appointed by the City Manager. It is audited separately.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)

Financial information for the Houghton Housing Commission as of December 31, 2007, the last year that audited financial information is available, is as follows:

Assets:	
Current assets	\$ 295,342
Net fixed assets	<u>1,540,426</u>
Total Assets	<u>\$1,835,768</u>
Liabilities:	
Current liabilities	\$ 55,577
Other	<u>1,371</u>
Total Liabilities	<u>\$ 56,948</u>
Net Assets:	
Investment in capital assets, net of related debt	\$1,540,426
Unrestricted net assets	<u>238,394</u>
Total Net Assets	<u>\$1,778,820</u>
Operating Revenues:	
Tenant revenue	\$ 214,526
Program grants - subsidies	144,311
Other	<u>16,820</u>
Total Operating Revenues	<u>\$ 375,657</u>
Operating Expenses:	
General operations	\$ 357,762
Depreciation	<u>155,040</u>
Total Operating Expenses	<u>\$ 512,802</u>
Operating Income (Loss)	<u>(\$ 137,145)</u>
Other Income (Expenses)	<u>\$ 161,161</u>
Change in Net Assets	\$ 24,016
Net Assets, beginning of period	<u>1,754,804</u>
Net Assets, end of period	<u>\$1,778,820</u>

Complete financial information can be obtained by contacting Heritage Manor, Houghton, Michigan 49931.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINTLY GOVERNED ORGANIZATIONS

On January 24, 1964, Portage Lake Water and Sewer Authority entered into a contract with the City of Houghton and the City of Hancock. The contract calls for the acquisition, improvements, enlargements, extension, operation and maintenance of a sewage disposal system. The cost of operations and improvements are divided between the City of Houghton and the City of Hancock on a pro rata basis based upon the percentage use of the plant by each city as measured by the material flow from the pumping station. The Authority is not considered a component unit of either city. The City's investment in the Authority is included in the Sewage Disposal System Fund's financial statements using the cost method of accounting.

Audited financial information for the joint venture as of June 30, 2008:

Total assets	<u>\$10,090,819</u>
Liabilities:	
Current liabilities	\$ 700,344
Long-term liabilities	<u>8,165,678</u>
	\$ 8,866,022
Total net assets	<u>1,224,797</u>
	<u>\$10,090,819</u>
Total revenues	\$ 1,239,326
Total expenditures	<u>2,222,195</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS (\$	982,869)
Capital contributions	<u>439,150</u>
(DECREASE) IN NET ASSETS (\$	<u>543,719)</u>

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

FUND ACCOUNTING

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into seven generic fund types and three broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

General Obligation Debt Retirement Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessment Funds, and Trust Funds).

PROPRIETARY FUNDS

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, other governments, and/or other funds. These include the Tax Collection Fund, an Agency Fund; the Employee Retirement Fund, a pension Fund; and the Employee Benefit Fund, a Non-expendable Trust Fund. The Employee Retirement Fund and the Employee Benefit Fund are accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and don't involve measurement of results of operations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING (CONTINUED)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned, including unbilled water and sewer services which are accrued, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Governmental Fund Types and Expendable Trust Funds use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Agency Funds also use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income, and inter-governmental revenues.

Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other Governmental Fund Type revenues are recognized when received.

Property taxes include amounts levied against all real and public utility property and tangible personal property which is used in business located in the City. Taxes are levied on July 1 on the taxable value listed as of the prior January 1. The due date for taxes to be paid without penalty for the summer levy is July 31, the winter levy due date is December 1. All real property taxes remaining unpaid by March 1 are bought by Houghton County. Property tax revenue is recognized as of July 1, when the taxes are levied. In the fund financial statements, any taxes collected before that date are recorded as deferred revenue. Property taxes receivable over 60 days are required to be recorded as deferred revenue in accordance with generally accepted accounting principles for local governments.

Taxable values are established by the City Assessor. A revaluation of all property is required annually. The City's tax rate applicable to 2007 was \$15.00 on each 1,000.00 of tax valuation.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

BANK DEPOSITS AND INVESTMENTS

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments are reported at fair market value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sale price. Investments that do not have an established market are reported at estimated fair value. All investments comply with Michigan Compiled Laws, Section 129.91.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown without an allowance for uncollectible amounts.

INVENTORIES AND PREPAID ITEMS

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

RESTRICTED ASSETS

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest has not been capitalized on fixed assets.

Property, plant, equipment and infrastructure is depreciated using the straight-line method over the following useful lives:

Buildings	40-60 years
Building improvements	15-30 years
Water and sewer lines	10-50 years
Roads	50 years
Other infrastructure	50 years
Vehicles	3-5 years
Office equipment	5-7 years
Computer equipment	3-7 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

ACCUMULATED EMPLOYEE SICK LEAVE AND VACATION

City employees earn vacation leave, which generally cannot be accumulated. Unused sick leave may be accumulated to a specific maximum amount. In accordance with generally accepted accounting principles an accrual for compensated absences is reflected in the fiduciary fund types financial statements. The amount of current year compensated absences for the City is budgeted annually as an expense in the Employee Benefit Fund. The liability is split between the current and the long-term portion. The current portion is recorded in the Employee Benefit Fund. The long-term portion is recorded in the Government-Wide Statement of Net Assets.

NOTE C - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City of Houghton to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation, repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The investment policy as required by Act 196 PA 1997 has been adopted by the Council. The City's deposits and investments are in accordance with statutory authority. At June 30, 2008, the City of Houghton's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 1,205,185	\$ 762,375	\$ 517,310	\$2,484,870	\$ 147,346
Investments	246,400	-	3,276,242	3,522,642	-
Restricted assets	-	467,107	-	467,107	-
Total	<u>\$ 1,451,585</u>	<u>\$1,229,482</u>	<u>\$3,793,552</u>	<u>\$6,474,619</u>	<u>\$ 147,346</u>

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

	<u>Bank Balances</u>		
<u>Deposits</u>	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
Insured or collateralized	\$2,165,609	\$ 156,698	\$2,322,307
Uninsured	969,136	-	969,136
Total Deposits	<u>\$3,134,745</u>	<u>\$ 156,698</u>	<u>\$3,291,443</u>

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

At year end, the carrying amount of cash was \$2,396,432 and \$147,346 for the primary government and component units respectively. Deposits totaling \$198,780 are included with Restricted Assets and deposits of \$88,438 are classified as Retirement Account-Cash. Included with Cash was petty cash of \$764. The total carrying amount of deposits in these accounts is \$2,951,980 and \$147,346 for the primary government and component units respectively.

In accordance with GASB Statement No. 3, investments are classified into categories of credit risk as follows:

- Category 1: Insured or collateralized with securities held by the City or its agent in the City's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3: Uncollateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name).

Investment Type

	(1)	(2)	(3)	<u>Reported Amount</u>	<u>Fair Value</u>
Risk-Categorized					
Cash equivalents	\$ 268,328	\$ -	\$ -	\$ 268,328	\$ 268,328
Stocks, bonds and secure mortgages	<u>848,307</u>	<u>-</u>	<u>-</u>	<u>848,307</u>	<u>848,307</u>
	<u>\$1,116,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,116,635</u>	<u>\$1,116,635</u>
Nonrisk-Categorized					
Mutual funds				\$2,606,068	\$2,606,068
Annuities				<u>68,266</u>	<u>68,266</u>
				<u>\$2,674,334</u>	<u>\$2,674,334</u>
Total investments				<u>\$3,790,969</u>	<u>\$3,790,969</u>

Investments totalling \$268,327 are included with Restricted Assets. Bonds and secured mortgages, stocks, mutual funds, and annuities are held in the Employee Retirement Fund.

The City of Houghton's General Fund and Water Supply Fund have investments in several money market mutual funds and bonds and secured mortgages. The nature of the mutual funds and annuities does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

NOTE D - RECEIVABLES

Receivables as of June 30, 2008 are as follows:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Taxes receivable	\$ 45,372	\$ -	\$ -	\$ -	\$ -
Accounts	40,894	-	6,149	91,398	189,593
Long-term loans	51,754	446,401	-	-	-
Intergovernmental	100,746	102,044	-	-	-
Grants	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>-</u>	<u>-</u>
Total receivables	<u>\$238,766</u>	<u>\$548,445</u>	<u>\$ 76,149</u>	<u>\$ 91,398</u>	<u>\$189,593</u>

	<u>Parking Fund</u>	<u>Transit Fund</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Taxes receivable	\$ -	\$ -	\$ -	\$ 45,372
Accounts	-	4,101	-	332,135
Long-term loans	-	-	17,647	515,802
Intergovernmental	-	14,862	-	217,652
Grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,000</u>
Total receivables	<u>\$ -</u>	<u>\$ 18,963</u>	<u>\$ 17,647</u>	<u>\$1,180,961</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes	\$ 7,029	\$ -
Long-term loans receivable	498,155	-
Capital project revenue	<u>-</u>	<u>333,230</u>
Total	<u>\$ 505,184</u>	<u>\$333,230</u>

LONG-TERM LOANS RECEIVABLE

The long-term loan receivable in the General Fund is the amount due on an installment sale (\$200,000 original balance, \$51,754 remaining) of a building to U.P. Engineering, Inc.. The agreement calls for 240 monthly payments of \$1,432.90, which includes interest at a rate of 6% per annum.

Long-term loans receivable in the Revolving Fund, totaling \$446,401, consist of loans made to various commercial organizations from funds provided by Urban Development Action Grants and Community Development Block Grants. Interest rates vary from 2% to 4% per annum. Loans are payable over periods ranging from ten to twenty years.

These long-term receivables are offset by a like amount recorded as deferred revenue in each of these funds in the fund financial statements.

NOTE D - RECEIVABLES (CONTINUED)

TRANSIT FUND OPERATING GRANT UNDERPAYMENT (OVERPAYMENT)

a. The City received underpayments (overpayments) of State operating assistance in the current and prior years which have been recorded as a due from (to) State amount on the balance sheet at June 30, 2008. The amount receivable (owed) and the applicable years are as follows:

<u>For Fiscal Year</u>	<u>Due from (to) State</u>
1999-00	(\$ 11,144)
2000-01	(9,896)
2005-06	146
2006-07	2,964
2007-08	<u>23,780</u>
	<u>\$ 5,850</u>

These amounts will be treated as adjustments to future State Assistance Payments.

b. The City has Federal Section 5311 funds receivable and payable from current and prior years operations which have been included as net accounts receivable on the balance sheet at June 30, 2008. The amounts and the applicable years are as follows:

<u>For Fiscal Year</u>	<u>Amount Receivable (Payable)</u>
1998-99	(\$ 167)
1999-00	(3,070)
2000-01	(72)
2001-02	(28)
2003-04	(654)
2004-05	(2,263)
2005-06	4,268
2006-07	(1,918)
2007-08	<u>12,916</u>
	<u>\$ 9,012</u>

c. The amount of the 2007-08 State operating assistance receivable (payable) and Federal Section 5311 assistance receivable (payable) above was computed as follows:

	<u>State Operating Assistance</u>	<u>Federal Section 5311 Funds</u>
Maximum allowable per computation	\$ 128,711	\$ 56,968
2007-08 receipts	<u>104,931</u>	<u>44,052</u>
Amount receivable	<u>\$ 23,780</u>	<u>\$ 12,916</u>

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balance July 1</u>	<u>Addition</u>
Governmental activities:		
Capital assets not being depreciated – land	\$ 691,259	\$ –
Capital assets being depreciated:		
Buildings	\$ 3,898,228	\$ –
Improvements	4,111,654	–
Equipment	3,848,394	213,564
Infrastructure	<u>3,995,837</u>	<u>1,257,772</u>
Total capital assets being depreciated	<u>\$15,854,113</u>	<u>\$1,471,336</u>
Less accumulated depreciation for:		
Buildings	(\$ 660,112)	(\$ 89,562)
Improvements	(2,135,153)	(126,266)
Equipment	(2,439,902)	(281,692)
Infrastructure	<u>(1,520,843)</u>	<u>(115,133)</u>
Total accumulated depreciation	<u>(\$ 6,756,010)</u>	<u>(\$ 612,653)</u>
Total capital assets, being depreciated, net	<u>\$ 9,098,103</u>	<u>\$ 858,683</u>
Governmental activities capital assets, net	<u>\$ 9,789,362</u>	<u>\$ 858,683</u>
Business-type activities:		
Capital assets not being depreciated – PLWSA	\$ 941,313	\$ –
Capital assets being depreciated:		
Buildings	\$ 254,777	\$ –
Improvements	48,386	12,030
Equipment	1,321,078	326,694
Infrastructure	<u>19,004,166</u>	<u>32,939</u>
Total capital assets being depreciated	<u>\$20,628,407</u>	<u>\$ 371,663</u>
Less accumulated depreciation for:		
Buildings	(\$ 105,054)	(\$ 6,294)
Improvements	(3,362)	(1,459)
Equipment	(985,021)	(99,399)
Infrastructure	<u>(9,383,353)</u>	<u>(366,290)</u>
Total accumulated depreciation	<u>(\$10,476,790)</u>	<u>(\$ 473,442)</u>
Total capital assets being depreciated, net	<u>\$10,151,617</u>	<u>(\$ 101,779)</u>
Business-type activities capital assets, net	<u>\$11,092,930</u>	<u>(\$ 101,779)</u>
Component unit activities:		
Capital assets not being depreciated – land	\$ 52,111	\$ –
Capital assets being depreciated:		
Buildings	\$ 619,783	\$ 15,787
Infrastructure	<u>4,912,688</u>	<u>272,601</u>
Total capital assets being depreciated	<u>\$ 5,532,471</u>	<u>\$ 288,388</u>
Less accumulated depreciation for:		
Buildings	(\$ 144,595)	(\$ 12,799)
Infrastructure	<u>(820,570)</u>	<u>(100,980)</u>
Total accumulated depreciation	<u>(\$ 965,165)</u>	<u>(\$ 113,779)</u>
Total capital assets being depreciated, net	<u>\$ 4,567,306</u>	<u>\$ 174,609</u>
Component unit activities capital assets, net	<u>\$ 4,619,417</u>	<u>\$ 174,609</u>

<u>Retirements</u>	<u>Balance June 30,</u>
<u>\$ -</u>	<u>\$ 691,259</u>
\$ -	\$ 3,898,228
-	4,111,654
(35,870)	4,026,088
<u>-</u>	<u>5,253,609</u>
<u>(\$ 35,870)</u>	<u>\$17,289,579</u>
\$ -	(\$ 749,674)
-	(2,261,419)
35,870	(2,685,724)
<u>-</u>	<u>(1,635,976)</u>
<u>\$ 35,870</u>	<u>(\$ 7,332,793)</u>
<u>\$ -</u>	<u>\$ 9,956,786</u>
<u>\$ -</u>	<u>\$10,648,045</u>
<u>\$ -</u>	<u>\$ 941,313</u>
\$ -	\$ 254,777
-	60,416
-	1,647,772
<u>-</u>	<u>19,037,105</u>
<u>\$ -</u>	<u>\$21,000,070</u>
\$ -	(\$ 111,348)
-	(4,821)
-	(1,084,420)
<u>-</u>	<u>(9,749,643)</u>
<u>\$ -</u>	<u>(\$10,950,232)</u>
<u>\$ -</u>	<u>\$10,049,838</u>
<u>\$ -</u>	<u>\$10,991,151</u>
<u>\$ -</u>	<u>\$ 52,111</u>
\$ -	\$ 635,570
<u>-</u>	<u>5,185,289</u>
<u>\$ -</u>	<u>\$ 5,820,859</u>
\$ -	(\$ 157,394)
<u>-</u>	<u>(921,550)</u>
<u>\$ -</u>	<u>(\$ 1,078,944)</u>
<u>\$ -</u>	<u>\$ 4,741,915</u>
<u>\$ -</u>	<u>\$ 4,794,026</u>

NOTE E - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government and administration	\$ 101,060
Public works	341,894
Public safety	64,101
Recreation and parks	<u>105,598</u>
Total depreciation expense - Governmental activities	<u>\$ 612,653</u>
Business-type activities:	
Water	\$ 188,413
Sewer	103,635
Parking	108,545
Transit	<u>72,849</u>
Total depreciation expense - Business-type activities	<u>\$ 473,442</u>

NOTE F - INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2008 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 110,254	Water	\$ 2,806
		Parking System	27,200
		Public Improvement	59,285
		Sewage Disposal	4,432
		Transit	<u>16,531</u>
		SUBTOTAL	<u>\$ 110,254</u>
SUBTOTAL	<u>\$ 110,254</u>	Local Street	<u>\$ 132</u>
Major Street	<u>\$ 132</u>	Public Improvement	<u>\$ 61,363</u>
Revolving	<u>\$ 61,363</u>	Parking System	<u>\$ 50,794</u>
Public Improvement	<u>\$ 50,794</u>	Equipment	\$ 7,869
Sewage Disposal	\$ 11,722	Water	<u>3,853</u>
		SUBTOTAL	<u>\$ 11,722</u>
SUBTOTAL	<u>\$ 11,722</u>	General	\$ 35,912
Equipment	\$ 386,823	Transit	270
		Water	4,266
		Major Street	31,204
		Local Street	104,761
		Public Improvement	1,640
		Parking System	<u>208,770</u>
		SUBTOTAL	<u>\$ 386,823</u>
SUBTOTAL	<u>\$ 386,823</u>	TOTALS	<u>\$ 621,088</u>
TOTALS	<u>\$ 621,088</u>		

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)

Short-term amounts owed between funds are classified as "Due to/from other funds".

The amounts of receivables and payables between primary government and component units at June 30, 2008 are as follows:

	Receivable from Primary Government	Payable to Primary Government		Receivable from Component Unit	Payable to Component Unit
Downtown Development Authority - General	\$ 714	\$ 30,000	General Tax Collection	\$ 30,000	\$ -
	<u>714</u>	<u>30,000</u>		<u>30,000</u>	<u>714</u>
	\$ 714	\$ 30,000		\$ 30,000	\$ 714
Tax Increment Finance Authority - General	\$ 80,180	\$ 7,885	Local Street Public Improvement Tax Collection Equipment	\$ 6,712 - - 1,173	\$ - 78,769 1,411 -
	<u>80,180</u>	<u>7,885</u>		<u>7,885</u>	<u>80,180</u>
	\$ 80,180	\$ 7,885		\$ 7,885	\$ 80,180
Brown field Redevelopment Authority - General	\$ 15,383	\$ -	General	\$ -	\$ 15,383
TOTALS	<u>\$ 96,277</u>	<u>\$ 37,885</u>	TOTALS	<u>\$ 37,885</u>	<u>\$ 96,277</u>

NOTE G - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G – LONG-TERM DEBT (CONTINUED)

	<u>Governmental</u>	<u>Business- Type</u>
At June 30, 2008 bonds payable consisted of the following individual issues:		
Water supply and sewage disposal system revenue bonds dated March 9, 1978, mature annually on February 1, 2009 through February 1, 2017, with interest at 5.00% per annum.	\$ -	\$ 79,000
Water supply and sewage disposal system revenue bonds dated March 6, 1980, mature annually on May 1, 2009 through May 1, 2019, with interest at 5.00 % per annum.		147,000
Water supply and sewage disposal system bonds dated December 1, 1996, mature annually on September 1, 2008 through September 1, 2017, with interest at 5.4525% per annum.	-	305,000
Water supply and sewage disposal system Junior Lien bonds dated October 18, 1995, mature annually on September 1, 2008 though September 1, 2035, with interest at 4.50% per annum.	-	3,934,000
Water supply and sewage disposal system Junior Lien bonds dated December 1, 1996, mature annually on September 1, 2008 through September 1, 2036, with interest at 4.50% per annum.	-	156,000
Sewage disposal limited tax general obligation bonds dated April 1, 1997, mature annually on October 1, 2008 through October 1, 2012.	-	160,000
Building Authority limited tax general obligation bonds dated September 1, 1997, mature annually on October 1, 2008 through October 1, 2017.	335,000	-
Limited tax general obligation bonds dated July 19, 2005, mature annually on November 1, 2008 through November 1, 2034, with interest at 4.25% per annum.	<u>1,930,000</u>	<u>-</u>
Total bonds payable	<u>\$ 2,265,000</u>	<u>\$4,781,000</u>

INSTALLMENT NOTE

1999 Rural Development Service Installment note dated April 21, 1999, matures annually on March 1, 2009 through March 1, 2014 with interest at 4.75% per annum.	\$ 70,000	\$ -
2006 Rural Development Service Installment note, matures annually on July 1, 2008 through July 1, 2021 with interest at 4.25% per annum.	<u>184,000</u>	<u>-</u>
	<u>\$ 254,000</u>	<u>\$ -</u>

INSTALLMENT PURCHASE CONTRACTS

Building improvement installment contract with monthly payments of \$4,749.57 including interest beginning December 30, 2006 through May 30, 2021 with interest at 4.60% per annum, financed through Honeywell Global Finance, LLC.	\$ 548,244	\$ -
Ford Ranger Pickup loan with monthly payments of \$392.55 including interest through October, 2008 with interest at 3.0% per annum, financed through Wells Fargo Bank, a financial institution.	<u>1,561</u>	<u>-</u>
Total installment purchase contracts	<u>\$ 549,805</u>	<u>\$ -</u>

ECONOMIC DEVELOPMENT GRANT LOAN

Michigan CDBG Economic Development Grant Loan	<u>\$ 102,354</u>	<u>\$ -</u>
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The long-term portion of employee compensated absences, totaling \$162,641, and the Keyman Life Insurance retirement annuity, totaling \$30,122 are both paid through the Employee Benefits fund, and reported as governmental activity in the Government-Wide Statement of Net Assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2008, are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 163,015	\$ 133,386	\$ 122,000	\$ 218,972
2010	183,764	125,112	129,000	212,869
2011	167,090	117,305	135,000	206,361
2012	145,514	110,547	148,000	199,289
2013	128,644	104,558	154,000	191,686
2014	156,282	98,101	126,000	184,774
2015	146,221	90,770	135,000	178,444
2016	123,252	84,611	139,000	171,736
2017	136,378	78,805	149,000	164,588
2018	138,604	72,614	145,000	157,053
2019	126,935	66,767	121,000	150,701
2020	130,375	61,215	110,000	145,044
2021	133,085	56,519	131,000	139,607
2022	87,000	51,872	140,000	133,516
2023-2038	<u>1,205,000</u>	<u>354,237</u>	<u>2,897,000</u>	<u>1,018,794</u>
	<u>\$3,171,159</u>	<u>\$1,606,419</u>	<u>\$4,781,000</u>	<u>\$3,473,434</u>

The individual long-term debt and other general long-term obligations of the City of Houghton and the changes therein, may be summarized as follows:

	<u>Balance</u> <u>06-30-07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06-30-08</u>
<u>ENTERPRISE FUNDS</u>				
<u>REVENUE BONDS</u>				
Water Supply and Sewage Disposal System Bonds(1978)	\$ 86,000	\$ -	\$ 7,000	\$ 79,000
Water Supply and Sewage Disposal System Bonds (1980)	157,000	-	10,000	147,000
Water Supply and Sewage Disposal System Bonds (1996)	325,000	-	20,000	305,000
Junior Lien Water Supply and Sewage System Bonds (1995)	3,984,000	-	50,000	3,934,000
Junior Lien Water Supply and Sewage System Bonds (1997)	159,000	-	3,000	156,000
Sewage System Limited Obligation Revenue Bonds (1997)	<u>185,000</u>	<u>-</u>	<u>25,000</u>	<u>160,000</u>
	<u>\$4,896,000</u>	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$4,781,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

	Balance 06-30-07	<u>Additions</u>	<u>Reductions</u>	Balance 06-30-08
<u>INTERNAL SERVICE FUND</u>				
<u>INSTALLMENT PURCHASE CONTRACT</u>				
Equipment	\$ 6,524	\$ -	\$ 4,963	\$ 1,561
<u>LIMITED TAX INVESTMENT NOTE</u>				
1999 Rural Development Service Loan	<u>80,000</u>	<u>-</u>	<u>10,000</u>	<u>70,000</u>
	<u>\$ 86,524</u>	<u>\$ -</u>	<u>\$ 14,963</u>	<u>\$ 71,561</u>
<u>LONG-TERM DEBT GROUP OF ACCOUNTS</u>				
<u>GENERAL OBLIGATION BONDS</u>				
Building Authority Bonds (1997)	\$ 395,000	\$ -	\$ 60,000	\$ 335,000
<u>INSTALLMENT PURCHASE CONTRACT</u>				
Building Improvements	571,334	-	23,090	548,244
<u>INSTALLMENT NOTE</u>				
2006 Rural Development Loan	193,000	-	9,000	184,000
<u>LIMITED TAX GENERAL OBLIGATION BONDS</u>				
Library Bonds	1,965,000	-	35,000	1,930,000
<u>ECONOMIC DEVELOPMENT GRANT LOAN</u>				
Michigan CDBG Economic Development Grant MSC 910052-EDIG (1992) including accrued interest	124,312	-	21,958	102,354
<u>PROMISSORY NOTE</u>				
Retirement annuity	<u>37,045</u>	<u>-</u>	<u>6,923</u>	<u>30,122</u>
	\$ 3,285,691	\$ -	\$ 155,971	\$ 3,129,720
Accrued compensated absences payable	289,826	11,044	-	300,870
Less current portion, included in Employee Benefit Fund	<u>140,625</u>	<u>-</u>	<u>2,396</u>	<u>138,229</u>
	<u>\$ 3,434,892</u>	<u>\$ 11,044</u>	<u>\$ 153,575</u>	<u>\$ 3,292,361</u>
<u>TAX INCREMENT FINANCE AUTHORITY</u>				
<u>TAX INCREMENT REVENUE BONDS</u>				
Walmart Project	\$ 53,275	\$ -	\$ 53,275	\$ -
<u>LIMITED TAX DEVELOPMENT BONDS</u>				
1998 Refunding Bonds	820,000	-	85,000	735,000
1999 Tax Increment Bond	<u>415,000</u>	<u>-</u>	<u>20,000</u>	<u>395,000</u>
	<u>\$ 1,288,275</u>	<u>\$ -</u>	<u>\$ 158,275</u>	<u>\$ 1,130,000</u>
<u>DOWNTOWN DEVELOPMENT AUTHORITY</u>				
<u>LIMITED TAX DEVELOPMENT BONDS</u>				
1994 DDA Projects - including accrued interest	\$ 845,806	\$ -	\$ 47,401	\$ 798,405
1996 Building Authority Bonds	<u>65,000</u>	<u>-</u>	<u>10,000</u>	<u>55,000</u>
	<u>\$ 910,806</u>	<u>\$ -</u>	<u>\$ 57,401</u>	<u>\$ 853,405</u>
<u>BROWNFIELD REDEVELOPMENT AUTHORITY</u>				
<u>TAX INCREMENT REVENUE BONDS</u>				
Former High School Project	<u>\$ 260,394</u>	<u>\$ -</u>	<u>\$ 41,021</u>	<u>\$ 219,373</u>
	<u><u>\$10,876,891</u></u>	<u><u>\$ 11,044</u></u>	<u><u>\$ 540,235</u></u>	<u><u>\$10,347,700</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

1995 WATER AND SEWAGE SYSTEM JUNIOR LIEN REVENUE BONDS

Water and Sewage System Junior Lien Revenue Bonds (\$4,233,000 authorized, \$3,934,000 outstanding) dated October 18, 1995, mature annually on September 1, 2008 through September 1, 2035, with interest at 4.50% per annum.

<u>Year Ended June 30</u>	<u>September 1</u>		<u>March 1</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2009	\$ 52,000	\$ 88,515	\$ 87,345	\$ 227,860
2010	57,000	87,345	86,062	230,407
2011	57,000	86,062	84,780	227,842
2012	60,000	84,780	83,430	228,210
2013	65,000	83,430	81,967	230,397
2014	70,000	81,968	80,392	232,360
2015	73,000	80,392	78,750	232,142
2016	75,000	78,750	77,063	230,813
2017	80,000	77,063	75,262	232,325
2018	85,000	75,262	73,350	233,612
2019	100,000	73,350	71,100	244,450
2020	105,000	71,100	68,738	244,838
2021	127,000	68,738	65,880	261,618
2022	135,000	65,880	62,842	263,722
2023	142,000	62,842	59,648	264,490
2024	149,000	59,648	56,295	264,943
2025	157,000	56,295	52,762	266,057
2026	164,000	52,762	49,073	265,835
2027	172,000	49,073	45,202	266,275
2028	182,000	45,202	41,108	268,310
2029	190,000	41,108	36,832	267,940
2030	200,000	36,832	32,333	269,165
2031	210,000	32,333	27,607	269,940
2032	222,000	27,607	22,613	272,220
2033	232,000	22,613	17,392	272,005
2034	245,000	17,392	11,880	274,272
2035	258,000	11,880	6,075	275,955
2036	270,000	6,075	-	276,075
	<u>\$3,934,000</u>	<u>\$1,624,297</u>	<u>\$1,535,781</u>	<u>\$7,094,078</u>

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS OF 1978

Water Supply and Sewage Disposal System Revenue Bonds (denomination \$1,000 each, \$188,000 originally issued, \$79,000 outstanding) dated March 9, 1978, mature annually on February 1, 2009 through February 1, 2017, with interest at 5.00% per annum.

<u>Year ended June 30</u>	<u>August 1</u>	<u>February 1</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 1,975	\$ 7,000	\$ 1,975	\$ 10,950
2010	1,800	8,000	1,800	11,600
2011	1,600	8,000	1,600	11,200
2012	1,400	8,000	1,400	10,800
2013	1,200	9,000	1,200	11,400
2014	975	9,000	975	10,950
2015	750	10,000	750	11,500
2016	500	10,000	500	11,000
2017	250	10,000	250	10,500
	<u>\$ 10,450</u>	<u>\$ 79,000</u>	<u>\$ 10,450</u>	<u>\$ 99,900</u>

Bonds are subject to redemption prior to maturity, at the option of the City, in inverse numerical order, on any interest payment dates, at par and accrued interest to date of redemption, upon thirty days written notice to the registered bond holder.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS, SERIES II OF 1980

Water Supply and Sewage Disposal System Revenue Bonds (denomination \$1,000 each, \$300,000 authorized, \$147,000 outstanding) dated March 6, 1980, mature annually on May 1, 2009 through May 1, 2019, with interest at 5.00% per annum.

<u>Year Ended June 30</u>	November 1		May 1	<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 3,675	\$ 10,000	\$ 3,675	\$ 17,350
2010	3,425	11,000	3,425	17,850
2011	3,150	12,000	3,150	18,300
2012	2,850	12,000	2,850	17,700
2013	2,550	12,000	2,550	17,100
2014	2,250	13,000	2,250	17,500
2015	1,925	14,000	1,925	17,850
2016	1,575	15,000	1,575	18,150
2017	1,200	15,000	1,200	17,400
2018	825	16,000	825	17,650
2019	425	17,000	425	17,850
	<u>\$ 23,850</u>	<u>\$147,000</u>	<u>\$ 23,850</u>	<u>\$194,700</u>

1997 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM JUNIOR LIEN REVENUE BOND

Water Supply and Sewage Disposal System Junior Lien Revenue Bond (\$180,000 originally issued and \$156,000 outstanding) dated December 1, 1996, mature annually on September 1, 2008 through September 1, 2036, with interest at 4.50% per annum.

<u>Year ended June 30</u>	September 1		March 1	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2009	\$ 3,000	\$ 3,529	\$ 3,414	\$ 9,943
2010	3,000	3,471	3,347	9,818
2011	3,000	3,403	3,280	9,683
2012	3,000	3,335	3,222	9,557
2013	3,000	3,258	3,146	9,404
2014	4,000	3,199	3,057	10,256
2015	3,000	3,108	2,990	9,098
2016	4,000	3,040	2,909	9,949
2017	4,000	2,941	2,812	9,753
2018	4,000	2,858	2,723	9,581
2019	4,000	2,768	2,633	9,401
2020	5,000	2,677	2,529	10,206
2021	4,000	2,556	2,433	8,989
2022	5,000	2,473	2,321	9,794
2023	5,000	2,359	2,209	9,568
2024	5,000	2,246	2,103	9,349
2025	6,000	2,127	1,963	10,090
2026	6,000	1,996	1,830	9,826
2027	6,000	1,860	1,696	9,556
2028	6,000	1,724	1,566	9,290
2029	7,000	1,584	1,405	9,989
2030	7,000	1,429	1,250	9,679
2031	7,000	1,270	1,094	9,364
2032	8,000	1,112	917	10,029
2033	8,000	928	736	9,664
2034	8,000	749	557	9,306
2035	9,000	567	357	9,924
2036	9,000	363	157	9,520
2037	7,000	158	-	7,158
	<u>\$156,000</u>	<u>\$ 63,088</u>	<u>\$ 58,656</u>	<u>\$277,744</u>

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the City's option, on any interest payment date on or after September 1, 1997, at par and accrued interest to the date fixed for prepayment.

NOTE G - LONG-TERM DEBT (CONTINUED)

WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS OF 1996

Water Supply and Sewage Disposal System Bonds (denomination \$1,000 each, \$400,000 originally issued, and \$305,000 outstanding), dated December 1, 1996, mature annually on September 1, 2008 through September 1, 2017, with interest at 5.4525% per annum.

<u>Year Ended June 30</u>	<u>Principal</u>	<u>September 1</u>		<u>March 1</u>
		<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 20,000	\$ 8,636	\$ 8,121	\$ 36,757
2010	20,000	8,121	7,596	35,717
2011	25,000	7,596	6,928	39,524
2012	30,000	6,928	6,110	43,038
2013	30,000	6,110	5,277	41,387
2014	30,000	5,278	4,430	39,708
2015	35,000	4,430	3,424	42,854
2016	35,000	3,424	2,400	40,824
2017	40,000	2,400	1,210	43,610
2018	40,000	1,210	-	41,210
	<u>\$305,000</u>	<u>\$ 54,133</u>	<u>\$ 45,496</u>	<u>\$404,629</u>

Bonds maturing through 2006 are not subject to redemption prior to maturity. Bonds maturing 2007 through 2017 are subject to redemption prior to maturity at the option of the City on any interest payment date on or after September 1, 2006.

1997 LIMITED TAX GENERAL OBLIGATION BONDS

Limited Tax General Obligation Bonds (\$360,000 originally issued and \$160,000 outstanding), dated April 1, 1997, mature annually on October 1, 2008 through October 1, 2012.

<u>Year ended June 30</u>	<u>Interest Rate</u>	<u>October 1</u>		<u>April 1</u>	<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2009	5.40	\$ 30,000	\$ 4,461	\$ 3,651	\$ 38,112
2010	5.50	30,000	3,651	2,826	36,477
2011	5.60	30,000	2,826	1,986	34,812
2012	5.65	35,000	1,986	998	37,984
2013	5.70	35,000	998	-	35,998
		<u>\$160,000</u>	<u>\$ 13,922</u>	<u>\$ 9,461</u>	<u>\$183,383</u>

Bonds maturing in the years through 2008, shall be subject to redemption prior to maturity, at the option of the City, on any interest payment date on or after October 1, 2007, at par and accrued interest plus a premium as follows:

1% of par value on each bond called for redemption from October 1, 2007, but prior to October 1, 2008.

No premiums shall be paid on bonds called for redemption after October 1, 2008.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

1997 BUILDING AUTHORITY AND BUILDING AUTHORITY REFUNDING BONDS

Limited Tax General Obligation Bonds (\$955,000 originally issued and \$335,000 outstanding), dated September 1, 1997, mature annually on October 1, 2008 through October 1, 2017.

<u>Year Ended June 30</u>	<u>Interest Rate</u>	<u>October 1</u>		<u>April 1</u>	<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2009	5.15	\$ 60,000	\$ 8,946	\$ 7,401	\$ 76,347
2010	5.20	65,000	7,401	5,711	78,112
2011	5.30	45,000	5,711	4,519	55,230
2012	5.35	15,000	4,519	4,118	23,637
2013	5.40	15,000	4,118	3,713	22,831
2014	5.50	40,000	3,713	2,612	46,325
2015	5.50	40,000	2,612	1,513	44,125
2016	5.50	15,000	1,513	1,100	17,613
2017	5.50	20,000	1,100	550	21,650
2018	5.50	20,000	550	-	20,550
		<u>\$ 335,000</u>	<u>\$ 40,183</u>	<u>\$ 31,237</u>	<u>\$ 406,420</u>

Bonds or portions of bonds in multiples of \$5,000 of this issue maturing on or after October 1, 2008, are subject to redemption prior to maturity, at the option of the Authority, in such order of maturity as the Authority shall determine and within any maturity by lot, on any interest payment date on or after October 1, 2007, at par plus accrued interest to the date fixed for redemption.

NOTE G - LONG-TERM DEBT (CONTINUED)

2005 GENERAL OBLIGATION LIMITED TAX BONDS

Limited Tax General Obligation Bonds (\$2,015,000 originally issued and \$1,930,000 outstanding), dated July 19, 2005, mature annually on November 1, 2008 through November 1, 2034 with an interest rate of 4.125% per annum.

<u>Year Ended June 30</u>		November 1	May 1	
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 40,000	\$ 39,806	\$ 38,981	\$ 118,787
2010	40,000	38,981	38,156	117,137
2011	40,000	38,156	37,331	115,487
2012	45,000	37,331	36,403	118,734
2013	45,000	36,403	35,475	116,878
2014	50,000	35,475	34,444	119,919
2015	50,000	34,444	33,412	117,856
2016	50,000	33,412	32,381	115,793
2017	55,000	32,381	31,247	118,628
2018	55,000	31,247	30,112	116,359
2019	60,000	30,112	28,875	118,987
2020	60,000	28,875	27,638	116,513
2021	65,000	27,638	26,297	118,935
2022	70,000	26,297	24,853	121,150
2023	70,000	24,853	23,409	118,262
2024	75,000	23,409	21,863	120,272
2025	75,000	21,863	20,316	117,179
2026	80,000	20,316	18,666	118,982
2027	85,000	18,666	16,913	120,579
2028	85,000	16,913	15,159	117,072
2029	90,000	15,159	13,303	118,462
2030	95,000	13,303	11,344	119,647
2031	100,000	11,344	9,281	120,625
2032	105,000	9,281	7,116	121,397
2033	110,000	7,116	4,847	121,963
2034	115,000	4,847	2,475	122,322
2035	120,000	2,475	-	122,475
	<u>\$1,930,000</u>	<u>\$ 660,103</u>	<u>\$ 620,297</u>	<u>\$3,210,400</u>

Principal installments of this bond are subject to prepayment prior to maturity, in inverse chronological order, at the City's option, on any date on or after November 1, 2005, at par plus accrued interest to the date fixed for prepayment.

1996 BUILDING AUTHORITY BONDS

Building Authority Bonds (\$150,000 originally issued and \$55,000 outstanding) dated October 1, 1996, mature annually on October 1, 2008 through October 1, 2011.

<u>Year ended June 30</u>	<u>Interest Rate</u>	October 1	April 1	
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	5.60	\$ 10,000	\$ 1,578	\$ 12,875
2010	5.70	15,000	1,297	17,167
2011	5.75	15,000	870	16,309
2012	5.85	15,000	439	15,439
		<u>\$ 55,000</u>	<u>\$ 4,184</u>	<u>\$ 2,606</u>
				<u>\$ 61,790</u>

Bonds maturing in the year 2007 and thereafter are subject to redemption prior to maturity at the option of the Building Authority on any interest payment date on or after October 1, 2006 at par and accrued interest to the date of redemption.

NOTE G - LONG TERM DEBT (CONTINUED)

DOWNTOWN DEVELOPMENT BOND (LIMITED TAX GENERAL OBLIGATION)

Downtown Development Authority Bonds (\$412,989 originally issued and \$324,096 outstanding) dated December 21, 1994, mature annually on May 1, 2009, through May 1, 2014.

<u>Year Ended June 30</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>May 1 Interest</u>	<u>Total</u>
2009	6.75	\$ 38,543	\$ 61,457	\$ 100,000
2010	6.80	35,801	64,199	100,000
2011	6.80	68,644	136,356	205,000
2012	6.85	63,667	141,333	205,000
2013	6.85	60,972	149,028	210,000
2014	6.90	<u>56,469</u>	<u>153,531</u>	<u>210,000</u>
		<u>\$ 324,096</u>	<u>\$ 705,904</u>	<u>\$1,030,000</u>

The Bond is not subject to redemption prior to maturity.

MICHIGAN CDBG ECONOMIC DEVELOPMENT GRANT LOAN

On April 8, 1992 the City of Houghton accepted Michigan CDBG Economic Development Grant MSC 910052-EDIG (\$200,000 received and \$102,354 outstanding as of June 30, 2008) for the Midwest Loan Services, Inc. Commercial Rehabilitation Project. The City must remit two-thirds of the monthly rent payment from Midwest Loan Services, Inc. to the State of Michigan until the entire grant amount, plus 3% annual interest, has been repaid.

INSTALLMENT PURCHASE CONTRACT

Building improvement installment purchase contract with Honeywell Global Finance, LLC. (\$588,617 originally received and \$548,244 outstanding) dated May 30, 2006. Monthly payments of \$4,749.57 beginning December 30, 2006 through May 30, 2021 with interest to accrue at 4.60% per annum.

NOTE G - LONG-TERM DEBT (CONTINUED)

CITY OF HOUGHTON TAX INCREMENT FINANCE AUTHORITY

1998 LIMITED TAX DEVELOPMENT REFUNDING BONDS

City of Houghton Tax Incremental Finance Authority Limited Tax Development Refunding Bonds (\$975,000 originally issued and \$735,000 outstanding) dated May 1, 1998 mature annually on November 1, 2008 through November 1, 2014.

<u>Year Ended June 30</u>	<u>Interest Rate</u>	<u>November 1</u>		<u>May 1</u>	<u>Total</u>
		<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	
2009	4.80	\$ 90,000	\$ 18,464	\$ 16,304	\$ 124,768
2010	5.00	90,000	16,304	14,054	120,358
2011	5.00	100,000	14,054	11,553	125,607
2012	5.00	105,000	11,553	8,929	125,482
2013	5.05	110,000	8,929	6,151	125,080
2014	5.10	115,000	6,151	3,219	124,370
2015	5.15	125,000	3,219	-	128,219
		<u>\$ 735,000</u>	<u>\$ 78,674</u>	<u>\$ 60,210</u>	<u>\$ 873,884</u>

Bonds of this issue are subject to redemption prior to maturity on any date on or after November 1, 2007, in whole or in part without any premium or penalty, plus accrued interest thereon to the date fixed for redemption.

CITY OF HOUGHTON TAX INCREMENT FINANCE AUTHORITY

1999 LIMITED TAX GENERAL OBLIGATION BONDS

City of Houghton Tax Incremental Finance Authority Limited Tax General Obligation Bonds (\$500,000 originally issued, \$395,000 outstanding) dated October 1, 1999, mature annually on May 1, 2009 through May 1, 2019.

<u>Year Ended June 30</u>	<u>Interest Rate</u>	<u>November 1</u>		<u>May 1</u>	<u>Total</u>
		<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	5.40	\$ 11,565	\$ 20,000	\$ 11,565	\$ 43,130
2010	5.50	11,025	25,000	11,025	47,050
2011	5.60	10,338	25,000	10,337	45,675
2012	5.70	9,638	30,000	9,637	49,275
2013	5.80	8,783	30,000	8,782	47,565
2014	5.90	7,913	35,000	7,912	50,825
2015	5.90	6,880	40,000	6,880	53,760
2016	6.00	5,700	40,000	5,700	51,400
2017	6.00	4,500	45,000	4,500	54,000
2018	6.00	3,150	50,000	3,150	56,300
2019	6.00	1,650	55,000	1,650	58,300
		<u>\$ 81,142</u>	<u>\$395,000</u>	<u>\$ 81,138</u>	<u>\$ 557,280</u>

Bonds of this issue maturing on or before May 1, 2008, shall not be subject to redemption prior to maturity. Bonds or portions of bonds in multiples of \$5,000 of this issue maturing on or after May 1, 2009 shall be subject to redemption without a premium, at the option of the Authority, in such order as the Authority shall determine and within any maturity by lot, on any interest payment date on or after May 1, 2008, at par and accrued interest to the date fixed for redemption.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - LONG-TERM DEBT (CONTINUED)

1999 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE (LIMITED TAX GENERAL OBLIGATION)

Installment note (\$145,000 originally issued and \$70,000 outstanding) dated April 21, 1999, mature annually on March 1, 2009 through March 1, 2014 with interest at 4.75% per annum.

<u>Year Ended June 30</u>	<u>September 1</u> <u>Interest</u>	<u>Principal</u>	<u>March 1</u> <u>Interest</u>	<u>Total</u>
2009	\$ 1,672	\$ 10,000	\$ 1,648	\$ 13,320
2010	1,437	11,000	1,413	13,850
2011	1,173	11,000	1,154	13,327
2012	910	12,000	898	13,808
2013	621	13,000	612	14,233
2014	311	13,000	306	13,617
	<u>\$ 6,124</u>	<u>\$ 70,000</u>	<u>\$ 6,031</u>	<u>\$ 82,155</u>

2006 RURAL DEVELOPMENT SERVICE INSTALLMENT NOTE

Installment note (\$193,000 originally received and \$184,000 outstanding) matures annually on July 1, 2008 through July 1, 2021 with interest at the rate of 4.25% per annum.

<u>Year Ended June 30</u>	<u>July 1</u> <u>Principal</u>	<u>Interest</u>	<u>January 1</u> <u>Interest</u>	<u>Total</u>
2009	\$ 10,000	\$ 3,910	\$ 3,698	\$ 17,608
2010	10,000	3,698	3,485	17,183
2011	11,000	3,485	3,251	17,736
2012	11,000	3,251	3,017	17,268
2013	12,000	3,018	2,763	17,781
2014	12,000	2,763	2,508	17,271
2015	13,000	2,508	2,231	17,739
2016	13,000	2,231	1,955	17,186
2017	14,000	1,955	1,657	17,612
2018	14,000	1,657	1,360	17,017
2019	15,000	1,360	1,041	17,401
2020	16,000	1,041	701	17,742
2021	16,000	701	361	17,062
2022	17,000	361	-	17,361
	<u>\$ 184,000</u>	<u>\$ 31,939</u>	<u>\$ 28,028</u>	<u>\$ 243,967</u>

NOTE G - LONG-TERM DEBT (CONTINUED)

CITY OF HOUGHTON BROWNFIELD REDEVELOPMENT AUTHORITY

TAX INCREMENTAL REVENUE LOAN - FORMER HOUGHTON HIGH SCHOOL PROJECT

City of Houghton Brownfield Redevelopment Authority Tax Incremental Revenue Loan (\$425,000 original proceeds and \$219,373 outstanding principal) dated October 3, 1998, matures annually on October 3, 2008 through October 3, 2012 with interest at the rate of 2.25% per annum. The loan is financed through the Michigan Department of Environmental Quality.

	October 3		
<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 41,944	\$ 4,936	\$ 46,880
2010	42,888	3,992	46,880
2011	43,853	3,027	46,880
2012	44,840	2,040	46,880
2013	45,848	1,032	46,880
	<u>\$ 219,373</u>	<u>\$ 15,027</u>	<u>\$ 234,000</u>

Interest did not accrue between October 3, 1998 and October 3, 2003.

NOTE H - SEGMENT INFORMATION

Generally accepted accounting principles require disclosure of segment information for certain individual Enterprise Funds. The City maintains four Enterprise Funds: the Water Supply Fund, the Sewage Disposal System Fund, the Parking System Fund, and the Transit Fund.

The Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that cost of providing the goods and services to the general public on a continuing basis will be financed or recovered through user charges. The City has four Enterprise Funds as follows:

Water Fund and Sewer Fund - to account for the provision of water and sewer services to the residents of the City. Activities of the funds include administration, operation and maintenance of the water and sewer system and billing and collection activities. The funds also account for the accumulation of resources for, and the payment of, long-term debt principal and interest for Water and Sewer debt. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

Parking Fund - to account for operation of the City's parking decks, including administration, operation and maintenance. The majority of costs are financed through parking fees and fines.

Transit Fund - to account for operation of the City's transit service, including administration, operation and maintenance. Costs are financed through fees charged to users and State and Federal Grants.

NOTE H - SEGMENT INFORMATION (CONTINUED)

Selected financial information for business segments of enterprise funds for the year ended June 30, 2008, is presented as follows:

	<u>Water Supply Fund</u>	<u>Sewage Disposal System Fund</u>
<u>CONDENSED STATEMENT OF NET ASSETS</u>		
Assets:		
Interfund receivable	\$ -	\$ 11,722
Other current assets	141,817	896,283
Capital assets	5,577,461	2,902,755
Other assets	<u>423,540</u>	<u>43,567</u>
Total assets	<u>\$6,142,818</u>	<u>\$3,854,327</u>
Liabilities:		
Interfund payables	\$ 10,925	\$ 4,432
Other current liabilities	167,810	74,247
Noncurrent liabilities	<u>4,244,000</u>	<u>415,000</u>
Total liabilities	<u>\$4,422,735</u>	<u>\$ 493,679</u>
Net assets:		
Invested in capital assets, net of related debt	\$1,261,461	\$2,437,755
Restricted for debt service	359,306	35,579
Unrestricted	<u>99,316</u>	<u>887,314</u>
Total net assets	<u>\$1,720,083</u>	<u>\$3,360,648</u>
<u>CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</u>		
Operating revenues	\$ 903,594	\$1,775,706
Depreciation expense	(188,413)	(103,635)
Other operating expenses	<u>(590,111)</u>	<u>(1,560,082)</u>
Operating income	\$ 125,070	\$ 111,989
Nonoperating revenues (expenses):		
Investment income (loss)	18,946	19,529
Operating grants	-	-
Interest expense	(196,193)	(26,698)
Service grants	-	-
Capital contributions	-	-
Transfers in (out)	<u>-</u>	<u>(15,000)</u>
Change in net assets	(\$ 52,177)	\$ 89,820
Beginning net assets	<u>1,772,260</u>	<u>3,270,828</u>
Ending net assets	<u>\$1,720,083</u>	<u>\$3,360,648</u>
<u>CONDENSED STATEMENT OF CASH FLOWS</u>		
Net cash provided (used) by:		
Operating activities	\$ 328,192	\$ 251,985
Noncapital financing activities	(37,068)	9,492
Capital and related financing activities	(328,689)	(74,560)
Investing activities	<u>18,946</u>	<u>19,529</u>
Net increase (decrease)	(\$ 18,619)	\$ 206,446
Beginning cash and cash equivalents	<u>69,038</u>	<u>500,244</u>
Ending cash and cash equivalents	<u>\$ 50,419</u>	<u>\$ 706,690</u>

<u>Parking System Fund</u>	<u>Transit Fund</u>	<u>Total</u>
\$ -	\$ -	\$ 11,722
2,740	21,489	1,062,329
1,902,630	608,307	10,991,153
<u>-</u>	<u>-</u>	<u>467,107</u>
<u>\$1,905,370</u>	<u>\$ 629,796</u>	<u>\$12,532,311</u>
\$ 286,764	\$ 16,801	\$ 318,922
6,316	16,821	265,194
<u>-</u>	<u>-</u>	<u>4,659,000</u>
<u>\$ 293,080</u>	<u>\$ 33,622</u>	<u>\$ 5,243,116</u>
\$1,902,630	\$ 608,307	\$ 6,210,153
-	-	394,885
(290,340)	(12,133)	<u>684,157</u>
<u>\$1,612,290</u>	<u>\$ 596,174</u>	<u>\$ 7,289,195</u>
\$ 142,433	\$ 109,075	\$ 2,930,808
(108,544)	(72,850)	(473,442)
(221,179)	(447,373)	(2,818,745)
(\$ 187,290)	(\$ 411,148)	(\$ 361,379)
9	15	38,499
-	289,590	289,590
-	(3)	(222,894)
-	(50,638)	(50,638)
-	324,155	324,155
<u>50,000</u>	<u>108,000</u>	<u>143,000</u>
(\$ 137,281)	\$ 259,971	\$ 160,333
<u>1,749,571</u>	<u>336,203</u>	<u>7,128,862</u>
<u>\$1,612,290</u>	<u>\$ 596,174</u>	<u>\$ 7,289,195</u>
(\$ 74,956)	(\$ 324,193)	\$ 181,028
72,040	323,542	368,006
-	(3,385)	(406,634)
<u>9</u>	<u>15</u>	<u>38,499</u>
(\$ 2,907)	(\$ 4,021)	\$ 180,899
<u>5,647</u>	<u>6,547</u>	<u>581,476</u>
<u>\$ 2,740</u>	<u>\$ 2,526</u>	<u>\$ 762,375</u>

NOTE H - SEGMENT INFORMATION (CONTINUED)

The balances of the restricted asset accounts in the Enterprise Funds are revenue bond reserves totaling \$467,107.

NOTE I - RISK MANAGEMENT

The City of Houghton is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City of Houghton has purchased commercial insurance for claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE J - PENSION AND POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The City provides pension benefits for all of its full-time employees through a money purchase plan. In a money purchase plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. The agreement requires that the City contribute an amount equal to 15.054% of the employee's base salary each month. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after three years of continuous service. City contributions for, and interest forfeited by, employees who leave employment before the three years of service are used to reduce the City's current period contribution requirement.

The City's total payroll in fiscal year ending June 30, 2008 was \$1,687,035. The City's contributions were calculated using the base salary amount of \$1,243,510. The City made the required contribution of \$187,198.

Plan participants may borrow up to 50% of the amount vested in their plan. Loans must be paid back through payroll check deductions. The length of the loan can vary from one to five years and the interest rate is set by the Pension Board. Interest is currently set at 9.5%. Loans for up to twenty years can be made for the purchase of a new home or to refinance their current home mortgage. The interest rate on these loans is currently set at 7.75%.

NOTE K - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent City employees, permits them to defer until future years up to 33 1/3% of annual gross earnings not to exceed \$7,500. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

The City neither acts as trustee nor has any management involvement in the plan.

The plan does not meet the reporting criteria defined in NCGA Statement 1, paragraph 26 (3) (8), consequently its financial statements are not presented herein.

NOTE L - LITIGATION

The City is involved as a defendant in one civil suit. It is the opinion of management that any loss incurred will be covered by insurance.

NOTE M - EXPLANATION OF INELIGIBLE EXPENSES PER THE BPT R&E MANUAL

Ineligible expenses are classified appropriately according to the definition in the Local Public Transit Revenue and Expense Manual (R&E Manual). There are no costs in which eligibility differs from the State R&E Manual and the Federal OMB Circular A-87. The City did not incur expenses associated with 40615 Advertising revenue and, therefore, no expenses are subtracted out as ineligible on OAR Schedule 4E (Urban) or on Schedule 5.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HOUGHTON, MICHIGAN
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$1,241,300	\$1,241,300	\$1,206,593	(\$ 34,707)
Licenses and permits	6,100	6,100	6,950	850
State grants	824,000	824,000	833,897	9,897
Interest	50,000	50,000	66,172	16,172
Charges for services	688,600	688,600	697,933	9,333
Other revenues	52,500	52,500	54,036	1,536
TOTAL REVENUES	<u>\$2,862,500</u>	<u>\$2,862,500</u>	<u>\$2,865,581</u>	<u>\$ 3,081</u>
Expenditures:				
General government administration	\$ 588,000	\$ 588,000	\$ 680,661	(\$ 92,661)
Public safety	737,600	737,600	789,237	(51,637)
Public works	582,500	582,500	508,650	73,850
Recreation and parks	209,500	209,500	277,531	(68,031)
Debt service	75,700	75,700	84,601	(8,901)
Other expenditures	234,067	234,067	76,013	158,054
TOTAL EXPENDITURES	<u>\$2,427,367</u>	<u>\$2,427,367</u>	<u>\$2,416,693</u>	<u>\$ 10,674</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 435,133</u>	<u>\$ 435,133</u>	<u>\$ 448,888</u>	<u>\$ 13,755</u>
Other financing sources(uses):				
Proceeds from long-term debt	\$ -	\$ -	\$ -	\$ -
Operating transfers in	-	-	5,700	5,700
Operating transfers out	(435,133)	(435,133)	(468,454)	(33,321)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 435,133)</u>	<u>(\$ 435,133)</u>	<u>(\$ 462,754)</u>	<u>(\$ 27,621)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 13,866)</u>	<u>(\$ 13,866)</u>
Fund balance, July 1	<u>822,364</u>	<u>822,364</u>	<u>822,364</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ 822,364</u></u>	<u><u>\$ 822,364</u></u>	<u><u>\$ 808,498</u></u>	<u><u>(\$ 13,866)</u></u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State grants	\$ 460,000	\$ 460,000	\$ 374,085	(\$ 85,915)
Interest and rents	<u>5,000</u>	<u>5,000</u>	<u>6,550</u>	<u>1,550</u>
TOTAL REVENUES	<u>\$ 465,000</u>	<u>\$ 465,000</u>	<u>\$ 380,635</u>	<u>(\$ 84,365)</u>
Expenditures:				
General government administration	\$ 39,700	\$ 39,700	\$ 38,103	\$ 1,597
Public works:				
Street preservation	74,700	74,700	47,760	26,940
Routine maintenance	46,000	46,000	46,416	(416)
Traffic services	4,200	4,200	21,769	(17,569)
Snow and ice control	280,100	280,100	232,988	47,112
Roadway inspections	<u>29,000</u>	<u>29,000</u>	<u>30,711</u>	<u>(1,711)</u>
TOTAL EXPENDITURES	<u>\$ 473,700</u>	<u>\$ 473,700</u>	<u>\$ 417,747</u>	<u>\$ 55,953</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNK LINE MAINTENANCE	<u>(\$ 8,700)</u>	<u>(\$ 8,700)</u>	<u>(\$ 37,112)</u>	<u>(\$ 28,412)</u>
State trunkline maintenance - Excess of revenues (expenditures)	<u>\$ 33,700</u>	<u>\$ 33,700</u>	<u>\$ 1,559</u>	<u>(\$ 32,141)</u>
Other financing sources (uses) - Operating transfers out	<u>(\$ 25,000)</u>	<u>(\$ 25,000)</u>	<u>(\$ 25,000)</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 60,553)</u>	<u>(\$ 60,553)</u>
Fund balance, July 1	<u>174,186</u>	<u>174,186</u>	<u>174,186</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ 174,186</u></u>	<u><u>\$ 174,186</u></u>	<u><u>\$ 113,633</u></u>	<u><u>(\$ 60,553)</u></u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
LOCAL STREET FUND
BUDGETARY COMPARISON SCHEDULE
Year ended June 30, 2008

	<u>Budgeted Amounts</u>			Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 134,000	\$ 134,000	\$ 113,442	(\$ 20,558)
State grants	279,000	279,000	209,249	(69,751)
Interest and rents	3,000	3,000	2,743	(257)
Other	<u>1,500</u>	<u>1,500</u>	<u>1,432</u>	<u>(68)</u>
TOTAL REVENUES	<u>\$ 417,500</u>	<u>\$ 417,500</u>	<u>\$ 326,866</u>	<u>(\$ 90,634)</u>
Expenditures:				
General government administration	\$ 27,200	\$ 27,200	\$ 28,697	(\$ 1,497)
Public works:				
Street preservation	74,300	74,300	104,029	(29,729)
Routine maintenance	78,800	78,800	55,536	23,264
Traffic services	6,200	6,200	32,848	(26,648)
Snow and ice removal	<u>256,000</u>	<u>256,000</u>	<u>214,824</u>	<u>41,176</u>
TOTAL EXPENDITURES	<u>\$ 442,500</u>	<u>\$ 442,500</u>	<u>\$ 435,934</u>	<u>\$ 6,566</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 25,000)</u>	<u>(\$ 25,000)</u>	<u>(\$ 109,068)</u>	<u>(\$ 84,068)</u>
Other financing sources (uses) -				
Operating transfers in	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 35,000</u>	<u>\$ 10,000</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES) AND OTHER USES)	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 74,068)</u>	<u>(\$ 74,068)</u>
Fund balance, July 1	<u>75,926</u>	<u>75,926</u>	<u>75,926</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ 75,926</u></u>	<u><u>\$ 75,926</u></u>	<u><u>\$ 1,858</u></u>	<u><u>(\$ 74,068)</u></u>

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN
 REVOLVING FUND
 BUDGETARY COMPARISON SCHEDULE
 Year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest and rents	\$ 5,000	\$ 5,000	\$ 4,694	(\$ 306)
Other revenue -				
Loan repayments	<u>29,860</u>	<u>29,860</u>	<u>25,527</u>	(<u>4,333</u>)
TOTAL REVENUES	<u>\$ 34,860</u>	<u>\$ 34,860</u>	<u>\$ 30,221</u>	(\$ <u>4,639</u>)
Expenditures:				
General government administration	\$ 600	\$ 600	\$ 1,094	(\$ 494)
Loans and contingencies	<u>-</u>	<u>-</u>	<u>190,502</u>	(<u>190,502</u>)
TOTAL EXPENDITURES	<u>\$ 600</u>	<u>\$ 600</u>	<u>\$191,596</u>	(\$ <u>190,996</u>)
EXCESS OF REVENUES (EXPENDITURES)	\$ 34,260	\$ 34,260	(\$161,375)	(\$ 195,635)
Fund balance, July 1	<u>240,124</u>	<u>240,124</u>	<u>240,124</u>	<u>-</u>
TOTAL FUND BALANCE, JUNE 30	<u>\$274,384</u>	<u>\$274,384</u>	<u>\$ 78,749</u>	(\$ <u>195,635</u>)

See accompanying note to budgetary comparison schedules.

CITY OF HOUGHTON, MICHIGAN

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
Year ended June 30, 2008

BUDGETARY INFORMATION

A draft of the budget is prepared by the City Manager. The budget is then finalized during a series of budget work sessions with the City Council. When the budget is finalized, a public hearing is held and the Council adopts the budget legally. This usually occurs in June before the beginning of the fiscal year but the budget may be amended at any time throughout the year. The budget is prepared on a basis that is consistent with generally accepted accounting principles, thus no reconciliation between the budget basis and GAAP basis is necessary.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the City for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2008, the City incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
General	\$ 2,862,500	\$ 2,885,147
Revolving	600	191,596

ADDITIONAL FINANCIAL INFORMATION

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND
BALANCE SHEETS

		June 30,	
		2008	2007
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash		\$ 399,309	\$ 378,890
Accounts receivable		40,894	58,571
Prepaid expenses		6,067	-
Inventory		5,554	4,704
Taxes receivable		45,372	78,061
Due from other governmental units		100,746	114,729
Due from other funds		110,254	39,935
Due from component units		30,000	-
TOTAL CURRENT ASSETS		<u>\$ 738,196</u>	<u>\$ 674,890</u>
<u>OTHER ASSETS</u>			
Long-term loan		\$ 51,754	\$ 65,455
Investments		246,400	321,299
TOTAL OTHER ASSETS		<u>\$ 298,154</u>	<u>\$ 386,754</u>
		<u>\$1,036,350</u>	<u>\$1,061,644</u>
<u>LIABILITIES AND FUND BALANCE</u>			
<u>CURRENT LIABILITIES</u>			
Accounts payable		\$ 75,909	\$ 75,290
Accrued expenses		41,865	24,506
Due to other funds		35,912	48,158
Due to component units		15,383	15,383
TOTAL CURRENT LIABILITIES		<u>\$ 169,069</u>	<u>\$ 163,337</u>
<u>OTHER LIABILITIES</u>			
Deferred revenues		58,783	75,943
TOTAL LIABILITIES		<u>\$ 227,852</u>	<u>\$ 239,280</u>
<u>FUND BALANCE</u>			
Unreserved		\$ 802,944	\$ 817,660
Reserved		5,554	4,704
TOTAL FUND BALANCE		<u>\$ 808,498</u>	<u>\$ 822,364</u>
		<u>\$1,036,350</u>	<u>\$1,061,644</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2008

With Comparative Actual Amounts for Year Ended June 30, 2007

	2008			2007
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Taxes	\$1,241,300	\$1,206,593	(\$ 34,707)	\$1,123,472
Licenses and permits	6,100	6,950	850	6,295
State grants	824,000	833,897	9,897	1,079,034
Interest	50,000	66,172	16,172	59,208
Charges for services	688,600	697,933	9,333	698,650
Other revenues	52,500	54,036	1,536	31,532
TOTAL REVENUES	<u>\$2,862,500</u>	<u>\$2,865,581</u>	<u>\$ 3,081</u>	<u>\$2,998,191</u>
Expenditures:				
General government administration	\$ 588,000	\$ 680,661	(\$ 92,661)	\$1,299,424
Public safety	737,600	789,237	(51,637)	1,059,771
Public works	582,500	508,650	73,850	544,888
Recreation and parks	209,500	277,531	(68,031)	257,893
Debt service	75,700	84,601	(8,901)	25,386
Other expenditures	234,067	76,013	158,054	80,452
TOTAL EXPENDITURES	<u>\$2,427,367</u>	<u>\$2,416,693</u>	<u>\$ 10,674</u>	<u>\$3,267,814</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 435,133</u>	<u>\$ 448,888</u>	<u>\$ 13,755</u>	<u>(\$ 269,623)</u>
Other financing sources (uses):				
Proceeds from long-term debt	\$ -	\$ -	\$ -	\$ 193,000
Operating transfers in	-	5,700	5,700	5,700
Operating transfers out	(435,133)	(468,454)	(33,321)	(386,854)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 435,133)</u>	<u>(\$ 462,754)</u>	<u>(\$ 27,621)</u>	<u>(\$ 188,154)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ -</u>	<u>\$ 13,866</u>	<u>\$ 13,866</u>	<u>(\$ 457,777)</u>
Fund balance, July 1	<u>822,364</u>	<u>822,364</u>	<u>-</u>	<u>1,280,141</u>
FUND BALANCE, JUNE 30	<u><u>\$ 822,364</u></u>	<u><u>\$ 808,498</u></u>	<u><u>\$ 13,866</u></u>	<u><u>\$ 822,364</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
June 30, 2008
With Totals for June 30, 2007

	Totals (Memorandum Only)		Major Street Fund	Local Street Fund	Revolving Fund
	<u>2008</u>	<u>2007</u>			
<u>ASSETS</u>					
Cash	\$ 185,916	\$ 562,654	\$115,169	\$ 53,361	\$ 17,386
Due from other governmental units	102,044	142,357	50,799	51,245	-
Due from other funds	61,495	64,724	132	-	61,363
Due from component units	6,712	6,712	-	6,712	-
Long-term loans	<u>446,401</u>	<u>279,686</u>	<u>-</u>	<u>-</u>	<u>446,401</u>
	<u>\$ 802,568</u>	<u>\$1,056,133</u>	<u>\$166,100</u>	<u>\$111,318</u>	<u>\$ 525,150</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 17,923	\$ 11,234	\$ 17,691	\$ 232	\$ -
Accrued wages and benefits	7,907	5,098	3,572	4,335	-
Due to other funds	136,097	269,879	31,204	104,893	-
Deferred revenue	<u>446,401</u>	<u>279,686</u>	<u>-</u>	<u>-</u>	<u>446,401</u>
TOTAL LIABILITIES	\$ 608,328	\$ 565,897	\$ 52,467	\$109,460	\$ 446,401
<u>FUND BALANCE (DEFICIT)</u>	<u>194,240</u>	<u>490,236</u>	<u>113,633</u>	<u>1,858</u>	<u>78,749</u>
	<u>\$ 802,568</u>	<u>\$1,056,133</u>	<u>\$166,100</u>	<u>\$111,318</u>	<u>\$ 525,150</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

June 30, 2008

With Totals for June 30, 2007

	Totals (Memorandum Only)		Major Street Fund	Local Street Fund	Revolving Fund
	2008	2007			
Revenues:					
Taxes	\$ 113,442	\$ 134,975	\$ -	\$113,442	\$ -
State grants	970,493	969,143	761,244	209,249	-
Interest and rents	13,987	21,649	6,550	2,743	4,694
Other revenue	<u>26,959</u>	<u>25,547</u>	<u>-</u>	<u>1,432</u>	<u>25,527</u>
TOTAL REVENUES	<u>\$1,124,881</u>	<u>\$1,151,314</u>	<u>\$767,794</u>	<u>\$326,866</u>	<u>\$ 30,221</u>
Expenditures:					
General government administration	\$ 67,894	\$ 53,693	\$ 38,103	\$ 28,697	\$ 1,094
Public works	1,172,481	1,051,558	765,244	407,237	-
Loans and contingencies	<u>190,502</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>190,502</u>
TOTAL EXPENDITURES	<u>\$1,430,877</u>	<u>\$1,120,251</u>	<u>\$803,347</u>	<u>\$435,934</u>	<u>\$ 191,596</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 305,996)</u>	<u>\$ 31,063</u>	<u>(\$ 35,553)</u>	<u>(\$109,068)</u>	<u>(\$ 161,375)</u>
Other financing sources (uses):					
Operating transfers from other funds	\$ 35,000	\$ -	\$ -	\$ 35,000	\$ -
Operating transfers to other funds	<u>(25,000)</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 10,000</u>	<u>\$ -</u>	<u>(\$ 25,000)</u>	<u>\$ 35,000</u>	<u>\$ -</u>
	<u>(\$ 295,996)</u>	<u>\$ 31,063</u>	<u>(\$ 60,553)</u>	<u>(\$ 74,068)</u>	<u>(\$ 161,375)</u>
Fund balance (deficit), July 1	<u>490,236</u>	<u>459,173</u>	<u>174,186</u>	<u>75,926</u>	<u>240,124</u>
FUND BALANCE (DEFICIT), JUNE 30	<u>\$ 194,240</u>	<u>\$ 490,236</u>	<u>\$113,633</u>	<u>\$ 1,858</u>	<u>\$ 78,749</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
 BALANCE SHEETS

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$115,169	\$258,230
Due from other governmental units	50,799	54,347
Due from other funds	<u>132</u>	<u>3,361</u>
	<u>\$166,100</u>	<u>\$315,938</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 17,691	\$ 8,081
Accrued wages and benefits	3,572	2,066
Due to other funds	<u>31,204</u>	<u>131,605</u>
TOTAL LIABILITIES	\$ 52,467	\$141,752
<u>FUND BALANCE</u>	<u>113,633</u>	<u>174,186</u>
	<u>\$166,100</u>	<u>\$315,938</u>

The accompanying notes to financial statements
 are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2008

With Actual Amounts for Year Ended June 30, 2007

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
State grants	\$460,000	\$374,085	(\$ 85,915)	\$374,624
Interest and rents	<u>5,000</u>	<u>6,550</u>	<u>1,550</u>	<u>6,474</u>
TOTAL REVENUES	<u>\$465,000</u>	<u>\$380,635</u>	<u>(\$ 84,365)</u>	<u>\$381,098</u>
Expenditures:				
General government administration	\$ 39,700	\$ 38,103	\$ 1,597	\$ 27,161
Public works:				
Street preservation	74,700	47,760	26,940	30,826
Routine maintenance	46,000	46,416	(416)	34,931
Traffic services	4,200	21,769	(17,569)	7,804
Snow and ice control	280,100	232,988	47,112	225,990
Roadway inspection	<u>29,000</u>	<u>30,711</u>	<u>(1,711)</u>	<u>25,339</u>
TOTAL EXPENDITURES	<u>\$473,700</u>	<u>\$417,747</u>	<u>\$ 55,953</u>	<u>\$352,051</u>
EXCESS OF REVENUES (EXPENDITURES) NOT INCLUDING STATE TRUNKLINE MAINTENANCE	<u>(\$ 8,700)</u>	<u>(\$ 37,112)</u>	<u>(\$ 28,412)</u>	<u>\$ 29,047</u>
State trunkline maintenance -				
Excess of revenues(expenditures)	<u>\$ 33,700</u>	<u>\$ 1,559</u>	<u>(\$ 32,141)</u>	<u>(\$ 48,544)</u>
Other financing sources (uses)-				
Operating transfers out	<u>(\$ 25,000)</u>	<u>(\$ 25,000)</u>	<u>\$ -</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	(\$ 60,553)	(\$ 60,553)	(\$ 19,497)
Fund balance, July 1	<u>174,186</u>	<u>174,186</u>	<u>-</u>	<u>193,683</u>
FUND BALANCE, JUNE 30	<u><u>\$174,186</u></u>	<u><u>\$113,633</u></u>	<u><u>(\$ 60,553)</u></u>	<u><u>\$174,186</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

LOCAL STREET FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 53,361	\$125,663
Due from component unit	6,712	6,712
Due from other governmental units	51,245	88,010
	<u>\$111,318</u>	<u>\$220,385</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 232	\$ 3,153
Accrued wages and benefits	4,335	3,032
Due to other funds	<u>104,893</u>	<u>138,274</u>
TOTAL LIABILITIES	\$109,460	\$144,459
<u>FUND BALANCE</u>	<u>1,858</u>	<u>75,926</u>
	<u>\$111,318</u>	<u>\$220,385</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

LOCAL STREET FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended June 30, 2008
With Actual Amounts for Year Ended June 30, 2007

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Taxes	\$134,000	\$113,442	(\$ 20,558)	\$134,975
State grants	279,000	209,249	(69,751)	225,141
Interest and rents	3,000	2,743	(257)	3,650
Other	<u>1,500</u>	<u>1,432</u>	<u>(68)</u>	<u>3,928</u>
TOTAL REVENUES	<u>\$417,500</u>	<u>\$326,866</u>	<u>(\$ 90,634)</u>	<u>\$367,694</u>
Expenditures:				
General government administration	\$ 27,200	\$ 28,697	(\$ 1,497)	\$ 25,471
Public works:				
Street preservation	74,300	104,029	(29,729)	10,946
Routine maintenance	78,800	55,536	23,264	50,231
Traffic services	6,200	32,848	(26,648)	35,251
Snow and ice control	<u>256,000</u>	<u>214,824</u>	<u>41,176</u>	<u>212,318</u>
TOTAL EXPENDITURES	<u>\$442,500</u>	<u>\$435,934</u>	<u>\$ 6,566</u>	<u>\$334,217</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>(\$ 25,000)</u>	<u>(\$109,068)</u>	<u>(\$ 84,068)</u>	<u>\$ 33,477</u>
Other financing sources(uses) -				
Operating transfers in	<u>\$ 25,000</u>	<u>\$ 35,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	(\$ 74,068)	(\$ 74,068)	\$ 33,477
Fund balance, July 1	<u>75,926</u>	<u>75,926</u>	<u>-</u>	<u>42,449</u>
FUND BALANCE, JUNE 30	<u><u>\$ 75,926</u></u>	<u><u>\$ 1,858</u></u>	<u><u>(\$ 74,068)</u></u>	<u><u>\$ 75,926</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

REVOLVING FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 17,386	\$ 178,761
Due from other funds	61,363	61,363
Long-term loans	<u>446,401</u>	<u>279,686</u>
	<u>\$ 525,150</u>	<u>\$ 519,810</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred revenue	\$ 446,401	\$ 279,686
<u>FUND BALANCE</u>	<u>78,749</u>	<u>240,124</u>
	<u>\$ 525,150</u>	<u>\$ 519,810</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

REVOLVING FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended June 30, 2008
With Actual Amounts for Year Ended June 30, 2007

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Interest and rents	\$ 5,000	\$ 4,694	(\$ 306)	\$ 11,525
Other revenue -				
Loan repayments	<u>29,860</u>	<u>25,527</u>	<u>(4,333)</u>	<u>21,619</u>
TOTAL REVENUES	<u>\$ 34,860</u>	<u>\$ 30,221</u>	<u>(\$ 4,639)</u>	<u>\$ 33,144</u>
Expenditures:				
General government administration	\$ 600	\$ 1,094	(\$ 494)	\$ 1,061
Loans and contingencies	<u>-</u>	<u>190,502</u>	<u>(190,502)</u>	<u>15,000</u>
TOTAL EXPENDITURES	<u>\$ 600</u>	<u>\$191,596</u>	<u>(\$ 190,996)</u>	<u>\$ 16,061</u>
EXCESS OF REVENUES (EXPENDITURES)	\$ 34,260	(\$161,375)	(\$ 195,635)	\$ 17,083
Fund Balance, July 1	<u>240,124</u>	<u>240,124</u>	<u>-</u>	<u>223,041</u>
TOTAL FUND BALANCE, JUNE 30	<u><u>\$274,384</u></u>	<u><u>\$ 78,749</u></u>	<u><u>(\$ 195,635)</u></u>	<u><u>\$240,124</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
CAPITAL PROJECTS FUND - PUBLIC IMPROVEMENT FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 453,877	\$ 2,422
Grants receivable	70,000	127,500
Accounts receivable	6,149	-
Due from other funds	<u>50,794</u>	<u>50,794</u>
	<u>\$ 580,820</u>	<u>\$ 180,716</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 41,744	\$ 492
Accrued salaries and benefits	3,679	2,637
Due to other funds	122,288	70,061
Due to component units	78,769	78,769
Deferred revenue	<u>333,230</u>	<u>-</u>
TOTAL LIABILITIES	\$ 579,710	\$ 151,959
<u>FUND BALANCE</u>	<u>1,110</u>	<u>28,757</u>
	<u>\$ 580,820</u>	<u>\$ 180,716</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

CAPITAL PROJECTS FUND - PUBLIC IMPROVEMENT FUND
ANALYSES OF CHANGES IN FUND BALANCE

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Fund balance, July 1	\$ 28,757	\$ 80,913
Revenues for Capital Outlay:		
Grants	1,199,943	75,416
VSCI Private Contributions	29,090	-
2007 Facade Private Contributions	238,415	-
Miscellaneous	<u>12,000</u>	<u>2,974</u>
TOTAL AVAILABLE FOR CAPITAL OUTLAY	<u>\$1,508,205</u>	<u>\$159,303</u>
Expenditures for Capital Outlay:		
Vibrant Small Cities Initiative	\$ 29,661	\$ -
2007 Facade	422,038	-
Street Lighting Improvements	24,592	-
Nara Nature Park Restroom Facility	203,745	-
Powerhouse	949,313	-
G.S. Engineering Project	19,647	-
East Houghton Waterfront Docks	-	215
Nara Nature Park Phase III	24,739	16,974
Water Plant Dock	2,305	1,618
Woodhaven Park and Pond	31,276	20,302
East Houghton Waterfront Pavilion	2,155	212,741
General Administration	<u>4,186</u>	<u>42,496</u>
TOTAL EXPENDITURES	<u>\$1,713,657</u>	<u>\$294,346</u>
	(\$ 205,452)	(\$135,043)
Other financing sources (uses) -		
Operating transfers from other funds	<u>206,562</u>	<u>163,800</u>
FUND BALANCE, JUNE 30	<u><u>\$ 1,110</u></u>	<u><u>\$ 28,757</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS
June 30, 2008
With Totals for June 30, 2007

	Totals (Memorandum Only)		1997 Building Authority Bonds	2005 Limited Tax General Obligation Bonds
	<u>2008</u>	<u>2007</u>	<u>Bonds</u>	<u>Bonds</u>
<u>ASSETS</u>				
Cash	<u>\$ 4,915</u>	<u>\$ 4,915</u>	<u>\$ 115</u>	<u>\$ 4,800</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Equity	<u>4,915</u>	<u>4,915</u>	<u>115</u>	<u>4,800</u>
	<u>\$ 4,915</u>	<u>\$ 4,915</u>	<u>\$ 115</u>	<u>\$ -</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

DEBT SERVICE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY

Year ended June 30, 2008

With Totals for June 30, 2007

	Totals (Memorandum Only)		1997 Building Authority Bonds	2005 Limited Tax General Obligation Bonds
	<u>2008</u>	<u>2007</u>		
Revenues:				
Contributions from other funds	\$131,992	\$ 135,916	\$ 16,658	\$ 115,334
Contributions from component units	<u>62,765</u>	<u>58,190</u>	<u>62,765</u>	<u>-</u>
	<u>\$194,757</u>	<u>\$ 194,106</u>	<u>\$ 79,423</u>	<u>\$ 115,334</u>
Expenditures:				
Redemption of serial bonds	\$ 95,000	\$ 90,000	\$ 60,000	\$ 35,000
Interest on bonds	<u>99,757</u>	<u>104,106</u>	<u>19,423</u>	<u>80,334</u>
TOTAL EXPENDITURES	<u>\$194,757</u>	<u>\$ 194,106</u>	<u>\$ 79,423</u>	<u>\$ 115,334</u>
EXCESS OF REVENUES	\$ -	\$ -	\$ -	\$ -
Fund equity, July 1	<u>4,915</u>	<u>4,915</u>	<u>115</u>	<u>4,800</u>
FUND EQUITY, JUNE 30	<u><u>\$ 4,915</u></u>	<u><u>\$ 4,915</u></u>	<u><u>\$ 115</u></u>	<u><u>\$ 4,800</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

WATER SUPPLY FUND
BALANCE SHEETS

	June 30,	
	2008	2007
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 50,419	\$ 69,038
Accounts receivable	91,398	102,707
Due from other funds	-	652
TOTAL CURRENT ASSETS	<u>\$ 141,817</u>	<u>\$ 172,397</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Water distribution system	\$9,427,387	\$9,385,371
Less accumulated depreciation	<u>3,849,926</u>	<u>3,661,513</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$5,577,461</u>	<u>\$5,723,858</u>
<u>OTHER ASSETS</u>		
Restricted assets:		
Water Bond Reserve Account:		
Cash	\$ 779	\$ 859
Investments	30,290	29,438
Junior Lien Bond Reserve Account:		
Cash	18,642	16,661
Investments	238,037	235,732
Junior Lien Bond and Interest Redemption Account	135,412	121,021
1978 Water/Sewer Revenue Bonds - Debt Service Account	28	28
1980 Water/Sewer Revenue Bonds - Debt Service Account	194	194
1995 Water Project - Debt Service Account	119	119
1996 Water Completion - Debt Service Account	<u>39</u>	<u>39</u>
TOTAL OTHER ASSETS	<u>\$ 423,540</u>	<u>\$ 404,091</u>
	<u>\$6,142,818</u>	<u>\$6,300,346</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 24,841	\$ 23,955
Accrued wages and benefits	6,735	4,221
Accrued interest expense	64,234	65,265
Due to other funds	10,925	48,645
Current maturities on long-term debt	<u>72,000</u>	<u>70,000</u>
TOTAL CURRENT LIABILITIES	<u>\$ 178,735</u>	<u>\$ 212,086</u>
<u>LONG-TERM DEBT</u>		
Bonds payable	\$4,316,000	\$4,386,000
Less current maturities	<u>72,000</u>	<u>70,000</u>
TOTAL LONG-TERM DEBT	<u>\$4,244,000</u>	<u>\$4,316,000</u>
TOTAL LIABILITIES	<u>\$4,422,735</u>	<u>\$4,528,086</u>
<u>FUND EQUITY</u>		
Contributed capital	\$ 331,510	\$ 344,945
Retained earnings	<u>1,388,573</u>	<u>1,427,315</u>
TOTAL FUND EQUITY	<u>\$1,720,083</u>	<u>\$1,772,260</u>
	<u>\$6,142,818</u>	<u>\$6,300,346</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
WATER SUPPLY FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Operating revenues:		
Water sales	\$ 862,627	\$ 877,713
Repairs and new customer installations	11,567	13,500
Other revenue	<u>29,400</u>	<u>32,202</u>
	<u>TOTAL OPERATING REVENUES</u>	<u>\$ 923,415</u>
Operating expenses:		
Source of water	\$ 248,978	\$ 215,234
Meter expenses	4,196	13,515
Customer installations	16,346	33,732
Maintenance of the water supply system, hydrants, and structure	194,900	77,598
Laboratory and office expense	48,151	45,512
Meter reading	13,357	13,734
Engineering and supervision	60,645	36,951
Other	<u>3,538</u>	<u>3,732</u>
	<u>\$ 590,111</u>	<u>\$ 440,008</u>
Depreciation expense	<u>188,413</u>	<u>188,413</u>
	<u>TOTAL OPERATING EXPENSES</u>	<u>\$ 628,421</u>
	<u>NET OPERATING INCOME (LOSS)</u>	<u>\$ 294,994</u>
Non-operating revenues - Interest	<u>\$ 18,946</u>	<u>\$ 16,775</u>
Non-operating expenses - Interest	<u>\$ 196,193</u>	<u>\$ 199,370</u>
	<u>NET INCOME (LOSS)</u>	<u>(\$ 52,177)</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
WATER SUPPLY FUND
ANALYSES OF CHANGES IN FUND EQUITY

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>CONTRIBUTED CAPITAL</u>		
Federal grants for construction:		
Balance, July 1	\$ 262,575	\$ 272,300
Less depreciation attributable to capital grants	<u>9,725</u>	<u>9,725</u>
Balance, June 30	<u>\$ 252,850</u>	<u>\$ 262,575</u>
State grants for construction:		
Balance, July 1	\$ 70,734	\$ 73,938
Less depreciation attributable to capital grants	<u>3,204</u>	<u>3,204</u>
Balance, June 30	<u>\$ 67,530</u>	<u>\$ 70,734</u>
Local grants for construction - MTU:		
Balance, July 1	\$ 3,830	\$ 3,996
Less depreciation attributable to capital grants	<u>166</u>	<u>166</u>
Balance, June 30	<u>\$ 3,664</u>	<u>\$ 3,830</u>
Capital contributed by other funds -		
Public Improvement Fund:		
Balance, July 1	\$ 7,806	\$ 8,146
Less depreciation attributable to capital grants	<u>340</u>	<u>340</u>
Balance, June 30	<u>\$ 7,466</u>	<u>\$ 7,806</u>
CONTRIBUTED CAPITAL, JUNE 30	<u>\$ 331,510</u>	<u>\$ 344,945</u>
<u>RETAINED EARNINGS</u>		
Balance, July 1	<u>\$1,427,315</u>	<u>\$1,301,481</u>
Add (subtract):		
Net income (loss) for the year	(\$ 52,177)	\$ 112,399
Depreciation attributable to capital grants	<u>13,435</u>	<u>13,435</u>
	<u>(\$ 38,742)</u>	<u>\$ 125,834</u>
RETAINED EARNINGS, JUNE 30	<u>\$1,388,573</u>	<u>\$1,427,315</u>
FUND EQUITY, JUNE 30	<u>\$1,720,083</u>	<u>\$1,772,260</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

WATER SUPPLY FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers	\$ 914,903	\$ 912,449
Payments to suppliers	(393,366)	(253,661)
Payments to employees	(193,345)	(180,572)
Net cash provided (used) by operating activities	<u>\$ 328,192</u>	<u>\$ 478,216</u>
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds	(\$ 652)	(\$ 652)
Increase (decrease) in due to other fund and component units	(37,720)	(73,395)
Net cash flows from noncapital financing activities	<u>(\$ 37,068)</u>	<u>(\$ 74,047)</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant, and equipment	(\$ 42,016)	(\$ 12,927)
Issuance (reduction) of long-term debt	(70,000)	(66,000)
(Increase) decrease in restricted assets	(19,449)	(78,479)
Interest paid on long-term debt	(197,224)	(200,340)
Net cash provided (used) by capital and related financing activities	<u>(\$ 328,689)</u>	<u>(\$ 357,746)</u>
Cash flows from investing activities -		
Interest received	<u>\$ 18,946</u>	<u>\$ 16,775</u>
Net increase (decrease) in cash and cash equivalents	(\$ 18,619)	\$ 63,198
Cash - beginning of year	<u>69,038</u>	<u>5,840</u>
Cash - end of year	<u><u>\$ 50,419</u></u>	<u><u>\$ 69,038</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 125,070	\$ 294,994
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	188,413	188,413
Changes in assets and liabilities:		
Receivables	11,309	(10,966)
Accounts and other payables	886	2,836
Accrued expenses	<u>2,514</u>	<u>2,939</u>
Net cash provided by operating activities	<u><u>\$ 328,192</u></u>	<u><u>\$ 478,216</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
SEWAGE DISPOSAL SYSTEM FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 706,690	\$ 500,244
Accounts receivable	189,593	212,031
Due from other funds	11,722	33,817
Due from other governmental units	<u>-</u>	<u>2,055</u>
TOTAL CURRENT ASSETS	<u>\$ 908,005</u>	<u>\$ 748,147</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Underground sewage collection system	\$5,522,182	\$5,522,182
Less accumulated depreciation	<u>3,560,740</u>	<u>3,457,105</u>
	\$1,961,442	\$2,065,077
Original investment in Portage Lake Water and Sewer Authority	<u>941,313</u>	<u>941,313</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$2,902,755</u>	<u>\$3,006,390</u>
<u>OTHER ASSETS</u>		
Restricted assets:		
1996 Sewer Bond Reserve Accounts:		
Cash	\$ 43,295	\$ 29,300
Investments	-	11,804
Restricted cash - 1996 Sewer Disposal Bonds		
Debt Service account	100	100
Restricted cash - 1997 Limited General Obligation		
Bond Debt Service account	<u>172</u>	<u>172</u>
TOTAL OTHER ASSETS	<u>\$ 43,567</u>	<u>\$ 41,376</u>
	<u>\$3,854,327</u>	<u>\$3,795,913</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 8,238	\$ 4,391
Accrued interest expense	7,988	8,659
Accrued wages and benefits	2,914	-
Due to other funds	4,432	2,035
Due to other governmental units	5,107	-
Current maturities on long-term debt	<u>50,000</u>	<u>45,000</u>
TOTAL CURRENT LIABILITIES	<u>\$ 78,679</u>	<u>\$ 60,085</u>
<u>LONG-TERM DEBT</u>		
Bonds payable	\$ 465,000	\$ 510,000
Less current maturities	<u>50,000</u>	<u>45,000</u>
TOTAL LONG-TERM DEBT	<u>\$ 415,000</u>	<u>\$ 465,000</u>
TOTAL LIABILITIES	<u>\$ 493,679</u>	<u>\$ 525,085</u>
<u>FUND EQUITY</u>		
Contributed capital	\$1,054,085	\$1,104,623
Retained earnings	<u>2,306,563</u>	<u>2,166,205</u>
TOTAL FUND EQUITY	<u>\$3,360,648</u>	<u>\$3,270,828</u>
	<u>\$3,854,327</u>	<u>\$3,795,913</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
SEWAGE DISPOSAL SYSTEM FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year Ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Operating revenues:		
Sewer charges	\$1,768,271	\$1,792,366
Repairs and new customer installations	7,435	8,000
Other revenue	<u>-</u>	<u>2,319</u>
TOTAL OPERATING REVENUES	<u>\$1,775,706</u>	<u>\$1,802,685</u>
Operating expenses:		
Customer installations	\$ 2,494	\$ 6,528
Maintenance of the sewage disposal system and structure	167,855	163,277
Laboratory and office expense	50,825	47,353
Engineering and supervision	44,950	34,400
City share of Portage Lake Water and Sewer Authority expense	1,291,080	1,276,533
Other	<u>2,878</u>	<u>5,955</u>
	\$1,560,082	\$1,534,046
Depreciation expense	<u>103,635</u>	<u>103,009</u>
TOTAL OPERATING EXPENSES	<u>\$1,663,717</u>	<u>\$1,637,055</u>
NET OPERATING INCOME (LOSS)	<u>\$ 111,989</u>	<u>\$ 165,630</u>
Non-operating revenues - Interest	<u>\$ 19,529</u>	<u>\$ 19,159</u>
Non-operating expenses -		
Interest	<u>\$ 26,698</u>	<u>\$ 28,997</u>
Other financing sources (uses) -		
Operating transfers to other funds	<u>(\$ 15,000)</u>	<u>\$ -</u>
NET INCOME (LOSS)	<u><u>\$ 89,820</u></u>	<u><u>\$ 155,792</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 SEWAGE DISPOSAL SYSTEM FUND
 ANALYSES OF CHANGES IN FUND EQUITY

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>CONTRIBUTED CAPITAL</u>		
Federal grants for construction:		
Balance, July 1	\$1,104,623	\$1,155,161
Less depreciation attributable to capital grants	<u>50,538</u>	<u>50,538</u>
CONTRIBUTED CAPITAL, JUNE 30	<u>\$1,054,085</u>	<u>\$1,104,623</u>
<u>RETAINED EARNINGS</u>		
Balance, July 1	<u>\$2,166,205</u>	<u>\$1,959,875</u>
Add (subtract):		
Net income (loss) for the year	\$ 89,820	\$ 155,792
Depreciation attributable to capital grants	<u>50,538</u>	<u>50,538</u>
	<u>\$ 140,358</u>	<u>\$ 206,330</u>
RETAINED EARNINGS, JUNE 30	<u>\$2,306,563</u>	<u>\$2,166,205</u>
FUND EQUITY, JUNE 30	<u>\$3,360,648</u>	<u>\$3,270,828</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
SEWAGE DISPOSAL SYSTEM FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers	\$1,798,144	\$1,781,816
Payments to suppliers	(1,424,318)	(1,418,107)
Payments to employees	(121,841)	(130,906)
Net cash provided (used) by operating activities	<u>\$ 251,985</u>	<u>\$ 232,803</u>
Cash flows from noncapital financing activities:		
(Increase) decrease in due from other funds	\$ 22,095	(\$ 4,856)
Increase (decrease) in due to other funds		
and component units	2,397	2,035
Transfers to other funds	(15,000)	-
Net cash flows from noncapital financing activities	<u>\$ 9,492</u>	<u>(\$ 2,821)</u>
Cash flows from capital and related financing activities:		
Acquisition of property, plant and equipment	\$ -	(\$ 12,651)
Issuance (reduction) of long-term debt	(45,000)	(40,000)
(Increase) decrease in restricted assets	(2,191)	(1,219)
Interest paid on long-term debt	(27,369)	(29,577)
Net cash provided (used) by capital and related financing activities	<u>(\$ 74,560)</u>	<u>(\$ 83,447)</u>
Cash flows from investing activities -		
Interest received	<u>\$ 19,529</u>	<u>\$ 19,159</u>
Increase (decrease) in cash and cash equivalents	\$ 206,446	\$ 165,694
Cash - beginning of year	<u>500,244</u>	<u>334,550</u>
Cash - end of year	<u><u>\$ 706,690</u></u>	<u><u>\$ 500,244</u></u>
Reconciliation of operating income (loss) to net cash provided (used by operating activities:		
Operating income (loss)	\$ 111,989	\$ 165,630
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	103,635	103,009
Changes in assets and liabilities:		
Receivables	22,438	(20,869)
Accounts and other payables	3,847	(9,501)
Accrued expenses	2,914	(2,188)
Due from other governmental units	2,055	(2,055)
Due to other governmental units	<u>5,107</u>	<u>(1,223)</u>
Net cash provided by operating activities	<u><u>\$ 251,985</u></u>	<u><u>\$ 232,803</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

PARKING SYSTEM FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 2,740	\$ 5,647
Accounts receivable	<u>-</u>	<u>998</u>
TOTAL CURRENT ASSETS	<u>\$ 2,740</u>	<u>\$ 6,645</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Parking deck complex	\$4,418,758	\$4,418,758
Less accumulated depreciation	<u>2,516,128</u>	<u>2,407,584</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$1,902,630</u>	<u>\$2,011,174</u>
	<u>\$1,905,370</u>	<u>\$2,017,819</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 4,723	\$ 1,893
Accrued wages and benefits	1,593	1,631
Due to other funds	<u>286,764</u>	<u>264,724</u>
TOTAL CURRENT LIABILITIES	<u>\$ 293,080</u>	<u>\$ 268,248</u>
<u>FUND EQUITY</u>		
Contributed capital	\$1,157,809	\$1,230,250
Retained earnings (deficit)	<u>454,481</u>	<u>519,321</u>
TOTAL FUND EQUITY	<u>\$1,612,290</u>	<u>\$1,749,571</u>
	<u>\$1,905,370</u>	<u>\$2,017,819</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
PARKING SYSTEM FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Operating revenues:		
Parking fees - Meters	\$ 8,225	\$ 7,960
Parking space permits	51,379	51,500
Parking fines	70,539	33,420
Towing fees	12,290	16,880
Other revenue	<u>-</u>	<u>123</u>
TOTAL OPERATING REVENUES	<u>\$ 142,433</u>	<u>\$109,883</u>
Operating expenses:		
Parking system maintenance	\$ 85,895	\$ 72,557
Parking law enforcement	58,218	60,023
Winter maintenance	74,032	49,284
Insurance	2,234	2,384
Miscellaneous	<u>800</u>	<u>800</u>
Depreciation expense	\$ 221,179	\$185,048
	<u>108,544</u>	<u>108,544</u>
TOTAL OPERATING EXPENSES	<u>\$ 329,723</u>	<u>\$293,592</u>
NET OPERATING INCOME (LOSS)	<u>(\$ 187,290)</u>	<u>(\$183,709)</u>
Non-operating revenues - Interest	<u>\$ 9</u>	<u>\$ 13</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(\$ 187,281)</u>	<u>(\$183,696)</u>
Other financing sources (uses):		
Operating transfers from other funds	\$ 25,000	\$ 20,000
Operating transfers from component unit	<u>25,000</u>	<u>30,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 50,000</u>	<u>\$50,000</u>
NET INCOME (LOSS)	<u>(\$ 137,281)</u>	<u>(\$133,696)</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
PARKING SYSTEM FUND
ANALYSES OF CHANGES IN FUND EQUITY

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>CONTRIBUTED CAPITAL</u>		
Federal Grants - Balance, July 1	\$ 586,956	\$ 632,625
Less depreciation attributable to Federal grants	<u>45,669</u>	<u>45,669</u>
Balance, June 30	\$ 541,287	\$ 586,956
Michigan Small Cities Grant - Balance, July 1	\$ 203,471	\$ 213,448
Less depreciation attributable to State grants	<u>9,977</u>	<u>9,977</u>
Balance, June 30	\$ 193,494	\$ 203,471
Local contributions for parking deck construction -		
Balance, July 1	\$ 60,077	\$ 65,540
Less depreciation attributable to local contributions	<u>5,463</u>	<u>5,463</u>
Balance, June 30	\$ 54,614	\$ 60,077
City of Houghton General Fund contributions -		
Balance, July 1	\$ 34,890	\$ 36,830
Less depreciation attributable to City of Houghton General Fund grants	<u>1,940</u>	<u>1,940</u>
Balance, June 30	\$ 32,950	\$ 34,890
City of Houghton Downtown Development -		
Authority contributions - Balance, July 1	\$ 344,856	\$ 354,248
Less depreciation attributable to City of Houghton Downtown Development Authority contributions	<u>9,392</u>	<u>9,392</u>
Balance, June 30	\$ 335,464	\$ 344,856
CONTRIBUTED CAPITAL, JUNE 30	<u>\$1,157,809</u>	<u>\$1,230,250</u>
<u>RETAINED EARNINGS</u>		
Balance, July 1	\$ 519,321	\$ 580,576
Add (subtract):		
Net income (loss) for the year	(\$ 137,281)	(\$ 133,696)
Depreciation attributable to capital grants	<u>72,441</u>	<u>72,441</u>
	(\$ 64,840)	(\$ 61,255)
RETAINED EARNINGS, JUNE 30	<u>\$ 454,481</u>	<u>\$ 519,321</u>
FUND EQUITY, JUNE 30	<u>\$1,612,290</u>	<u>\$1,749,571</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

PARKING SYSTEM FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers	\$143,431	\$109,521
Payment to suppliers	(142,723)	(117,853)
Payments to employees	(75,664)	(66,163)
Net cash provided (used) by operating activities	<u>(\$ 74,956)</u>	<u>(\$ 74,495)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds and component units	\$ 50,000	\$ 50,000
Increase (decrease) in due to other funds	<u>22,040</u>	<u>25,889</u>
Net cash provided (used) by noncapital financing activities	<u>\$ 72,040</u>	<u>\$ 75,889</u>
Cash flows from investment activities -		
Interest received	<u>\$ 9</u>	<u>\$ 13</u>
Net increase (decrease) in cash and cash equivalents	(\$ 2,907)	\$ 1,407
Cash - beginning of year	<u>5,647</u>	<u>4,240</u>
Cash - end of year	<u><u>\$ 2,740</u></u>	<u><u>\$ 5,647</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$187,290)	(\$183,709)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	108,544	108,544
Changes in assets and liabilities:		
Receivables	998	(362)
Accounts and other payables	2,830	202
Accrued expenses	(38)	830
Net cash provided by operating activities	<u><u>(\$ 74,956)</u></u>	<u><u>(\$ 74,495)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
BALANCE SHEETS

	June 30,	
	2008	2007
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 2,526	\$ 6,547
Accounts receivable	4,101	9,428
Grant receivable	-	2,107
Due from State - State Operating Assistance	5,850	-
Due from Federal government	<u>9,012</u>	<u>2,818</u>
TOTAL CURRENT ASSETS	<u>\$ 21,489</u>	<u>\$ 20,900</u>
<u>PROPERTY, PLANT, AND EQUIPMENT</u>		
Property and equipment	\$1,631,742	\$1,302,095
Less accumulated depreciation	<u>1,023,435</u>	<u>950,585</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>\$ 608,307</u>	<u>\$ 351,510</u>
	<u>\$ 629,796</u>	<u>\$ 372,410</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 8,237	\$ 3,588
Accrued wages and benefits	8,584	4,455
Due to State - State Operating Assistance	-	12,979
Due to other funds	<u>16,801</u>	<u>15,185</u>
TOTAL CURRENT LIABILITIES	<u>\$ 33,622</u>	<u>\$ 36,207</u>
<u>FUND EQUITY</u>		
Contributed capital - State	\$ 178,442	\$ 141,998
Contributed capital - Federal	411,761	193,248
Retained earnings	<u>5,971</u>	<u>957</u>
TOTAL FUND EQUITY	<u>\$ 596,174</u>	<u>\$ 336,203</u>
	<u>\$ 629,796</u>	<u>\$ 372,410</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Operating revenues	\$ 109,075	\$106,928
Operating expenses	<u>520,223</u>	<u>449,792</u>
OPERATING INCOME (LOSS)	(\$ 411,148)	(\$342,864)
Non-operating revenues	397,605	342,211
Non-operating expenses	<u>50,641</u>	<u>57,637</u>
NET INCOME (LOSS)	<u>(\$ 64,184)</u>	<u>(\$ 58,290)</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
ANALYSES OF CHANGES IN FUND EQUITY

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>CONTRIBUTED CAPITAL</u>		
State grants:		
Balance, July 1	\$141,998	\$165,984
Add grants received in current year:		
Contract 02-0046/Z15	39,721	11,588
Contract 02-0046/Z16	959	421
Contract 02-0046/Z17	24,152	-
Less depreciation attributable to State grants	<u>28,388</u>	<u>35,995</u>
Balance, June 30	<u>\$178,442</u>	<u>\$141,998</u>
Federal grants:		
Balance, July 1	\$193,248	\$157,496
Add grants received in current year:		
Contract 02-0046/Z15	158,882	46,351
Contract 02-0046/Z16	3,834	12,166
Contract 02-0046/Z17	96,607	-
Less depreciation attributable to Federal grants	<u>40,810</u>	<u>22,765</u>
Balance, June 30	<u>\$411,761</u>	<u>\$193,248</u>
TOTAL CONTRIBUTED CAPITAL, JUNE 30	<u>\$590,203</u>	<u>\$335,246</u>
<u>RETAINED EARNINGS</u>		
Balance, July 1	\$ 957	\$ 487
Net income (loss)	(64,184)	(58,290)
Add depreciation attributable to capital grants	<u>69,198</u>	<u>58,760</u>
RETAINED EARNINGS, JUNE 30	<u>\$ 5,971</u>	<u>\$ 957</u>
FUND EQUITY, JUNE 30	<u>\$596,174</u>	<u>\$336,203</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2008	2007
Cash flows from operating activities:		
Receipts from customers	\$ 114,402	\$ 101,041
Payments to suppliers	(143,429)	(121,046)
Payments to employees	(295,166)	(269,258)
Net cash provided (used) by operating activities	(\$ 324,193)	(\$ 289,263)
Cash flows from noncapital financing activities:		
Transfers from other funds	\$ 108,000	\$ 65,000
(Increase) decrease in due from other governmental units	(12,044)	6,183
Increase (decrease) in due to other funds	1,616	13,846
Increase (decrease) in due to other governmental units	(12,979)	(22,337)
Proceeds from grants	289,590	277,196
Specialized services grants paid	(50,638)	(57,464)
Interest expense and finance charges	(3)	(173)
Net cash provided (used) by noncapital financing activities	\$ 323,542	\$ 282,251
Cash flows from capital and related financing activities:		
Capital contributions	\$ 324,155	\$ 70,526
Acquisition of property, plant, and equipment	(329,647)	(70,784)
(Increase) decrease in grants receivable	2,107	5,017
Net cash provided (used) by capital and related financing activities	(\$ 3,385)	\$ 4,759
Cash flows from investing activities -		
Interest received	\$ 15	\$ 15
Net increase (decrease) in cash and cash equivalents	(\$ 4,021)	(\$ 2,238)
Cash - beginning of year	6,547	8,785
Cash - end of year	<u>\$ 2,526</u>	<u>\$ 6,547</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 411,148)	(\$ 342,864)
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	72,850	62,771
Changes in assets and liabilities:		
Receivables	5,327	(5,887)
Accounts and other payables	4,649	(1,874)
Accrued expenses	<u>4,129</u>	<u>(1,409)</u>
Net cash provided by operating activities	(\$ 324,193)	(\$ 289,263)

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

EQUIPMENT FUND
BALANCE SHEETS

	June 30,	
	2008	2007
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 161,169	\$ 471
Due from other funds	386,823	558,372
Due from component units	<u>1,173</u>	<u>6,660</u>
TOTAL CURRENT ASSETS	\$ 549,165	\$ 565,503
<u>LAND, BUILDINGS, AND EQUIPMENT</u>		
Land and buildings	\$ 331,125	\$ 331,125
Equipment	<u>3,245,468</u>	<u>3,100,267</u>
	\$3,576,593	\$3,431,392
Less accumulated depreciation	<u>2,604,514</u>	<u>2,400,154</u>
TOTAL LAND, BUILDINGS, AND EQUIPMENT	\$ 972,079	\$1,031,238
	<u>\$1,521,244</u>	<u>\$1,596,741</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 33,774	\$ 18,969
Accrued expenses	4,587	2,679
Due to other funds	7,869	29,607
Current maturities on long-term debt	<u>11,561</u>	<u>14,515</u>
TOTAL CURRENT LIABILITIES	\$ 57,791	\$ 65,770
<u>LONG-TERM DEBT</u>		
Notes payable	\$ 71,561	\$ 86,524
Less current maturities	<u>11,561</u>	<u>14,515</u>
TOTAL LONG-TERM DEBT	\$ 60,000	\$ 72,009
TOTAL LIABILITIES	\$ 117,791	\$ 137,779
<u>RETAINED EARNINGS</u>	<u>\$1,403,453</u>	<u>\$1,458,962</u>
	<u>\$1,521,244</u>	<u>\$1,596,741</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EQUIPMENT FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Operating revenues:		
Charges for services	\$ 754,972	\$ 726,767
Other revenue	<u>1,873</u>	<u>1,466</u>
TOTAL OPERATING REVENUES	<u>\$ 756,845</u>	<u>\$ 728,233</u>
Operating expenses:		
Equipment operations, maintenance, and storage	\$ 507,140	\$ 412,843
Insurance on equipment and garage	31,414	30,681
Employee benefits	<u>37,311</u>	<u>37,527</u>
	\$ 575,865	\$ 481,051
Depreciation expense	<u>240,230</u>	<u>228,552</u>
TOTAL OPERATING EXPENSES	<u>\$ 816,095</u>	<u>\$ 709,603</u>
NET INCOME FROM OPERATIONS	<u>(\$ 59,250)</u>	<u>\$ 18,630</u>
Non-operating income:		
Interest	\$ 19	\$ 25
Gain on sale of equipment	<u>11,300</u>	<u>-</u>
	<u>\$ 11,319</u>	<u>\$ 25</u>
Non-operating expense:		
Interest	\$ 3,778	\$ 6,484
Loss on sale of equipment	<u>-</u>	<u>17,189</u>
	<u>\$ 3,778</u>	<u>\$ 23,673</u>
Other financing sources (uses):		
Operating transfers from other funds	\$ 11,900	\$ 14,275
Operating transfers to other funds	<u>(15,700)</u>	<u>(5,700)</u>
	<u>(\$ 3,800)</u>	<u>\$ 8,575</u>
NET INCOME (LOSS)	<u><u>(\$ 55,509)</u></u>	<u><u>\$ 3,557</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EQUIPMENT FUND
ANALYSES OF CHANGES IN RETAINED EARNINGS

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Retained earnings, July 1	\$1,458,962	\$1,455,405
Net income (loss) for the year	(<u>55,509</u>)	<u>3,557</u>
TOTAL RETAINED EARNINGS, JUNE 30	<u>\$1,403,453</u>	<u>\$1,458,962</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

EQUIPMENT FUND
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers	\$910,270	\$620,093
Payments to suppliers	(480,232)	(394,701)
Payments to employees	(78,757)	(84,867)
Other receipts (payments)	<u>1,873</u>	<u>1,466</u>
Net cash provided (used) by operating activities	<u>\$353,154</u>	<u>\$141,991</u>
Cash flows from noncapital financing activities:		
Transfers from other funds and component units	\$ 11,900	\$ 14,275
Transfers to other funds and component units	(15,700)	(5,700)
Net cash provided (used) by noncapital financing activities	<u>(\$ 3,800)</u>	<u>\$ 8,575</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of equipment	\$ 11,300	\$ 50,412
Acquisition of property, plant and equipment	(181,071)	(247,161)
Issuance (reduction) of long-term debt	(14,963)	(14,073)
Interest paid on long-term debt	<u>(3,941)</u>	<u>(6,644)</u>
Net cash provided (used) by capital and related financing activities	<u>(\$188,675)</u>	<u>(\$217,466)</u>
Cash flows from investing activities -		
Interest received	<u>\$ 19</u>	<u>\$ 25</u>
Net increase (decrease) in cash and cash equivalents	\$160,698	(\$ 66,875)
Cash - beginning of year	<u>471</u>	<u>67,346</u>
Cash - end of year	<u><u>\$161,169</u></u>	<u><u>\$ 471</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(\$ 59,250)	\$ 18,630
Adjustments to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation expense	240,230	228,552
Changes in assets and liabilities:		
Accounts and other payables	14,805	1,533
Due from other funds and component units	177,036	(93,417)
Due to other funds	(21,738)	(13,257)
Accrued expenses	<u>2,071</u>	<u>(50)</u>
Net cash provided by operating activities	<u><u>\$353,154</u></u>	<u><u>\$141,991</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE RETIREMENT FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 88,438	\$ 104,686
Investments	3,276,242	3,795,054
Loans to participants	<u>17,647</u>	<u>33,932</u>
	<u>\$3,382,327</u>	<u>\$3,933,672</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ -	\$ -
<u>FUND BALANCE</u>	<u>3,382,327</u>	<u>3,933,672</u>
	<u>\$3,382,327</u>	<u>\$3,933,672</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EMPLOYEE RETIREMENT FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Operating revenues:		
Employer contributions	\$ 187,198	\$ 194,505
Investment income	<u>255,350</u>	<u>224,985</u>
TOTAL OPERATING REVENUES	\$ 442,548	\$ 419,490
Operating expenses -		
Plan distributions	<u>325,034</u>	<u>1,891,952</u>
NET OPERATING INCOME (LOSS)	\$ 117,514	(\$1,472,462)
Net appreciation (depreciation) in fair value of investments	(<u>668,859</u>)	<u>540,458</u>
NET INCOME (LOSS)	(<u><u>\$ 551,345</u></u>)	(<u><u>\$ 932,004</u></u>)

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EMPLOYEE RETIREMENT FUND
STATEMENTS OF CHANGES IN FUND BALANCE

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>FUND BALANCE</u>		
Reserved, beginning of year	\$3,933,672	\$4,865,676
Net operating income (loss) for the year	(551,345)	(932,004)
FUND BALANCE RESERVED, JUNE 30	<u>\$3,382,327</u>	<u>\$3,933,672</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE BENEFIT FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$387,768	\$254,377
Prepaid expense	<u>35,714</u>	<u>43,801</u>
	<u>\$423,482</u>	<u>\$298,178</u>
<u>LIABILITIES AND RETAINED EARNINGS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 707	\$ 1,071
Accumulated employee sick leave	68,362	64,419
Accumulated employee vacation	<u>69,867</u>	<u>76,206</u>
TOTAL LIABILITIES	\$138,936	\$141,696
<u>RETAINED EARNINGS (DEFICIT)</u>	<u>284,546</u>	<u>156,482</u>
	<u>\$423,482</u>	<u>\$298,178</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EMPLOYEE BENEFIT FUND
STATEMENTS OF REVENUES AND EXPENSES

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Operating revenues:		
Charges for services	\$1,075,822	\$1,087,656
Other revenue	<u>24,668</u>	<u>22,780</u>
TOTAL OPERATING REVENUES	<u>\$1,100,490</u>	<u>\$1,110,436</u>
Operating expenses:		
Payroll taxes - Employer share	\$ 129,058	\$ 127,334
Hospitalization insurance	363,729	415,550
Sick pay	49,330	84,690
Vacation pay	90,117	107,054
Holiday pay	39,286	39,542
Funeral leave	415	608
Longevity pay	8,600	10,020
Workers' compensation insurance	48,530	46,568
Unemployment insurance	4,105	3,931
Retirement contributions	187,198	194,507
Life insurance	33,096	29,725
Disability insurance	6,387	5,840
Other	<u>12,575</u>	<u>13,923</u>
TOTAL OPERATING EXPENSES	<u>\$ 972,426</u>	<u>\$1,079,292</u>
NET OPERATING INCOME (LOSS)	<u><u>\$ 128,064</u></u>	<u><u>\$ 31,144</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
EMPLOYEE BENEFIT FUND
ANALYSES OF CHANGES IN RETAINED EARNINGS

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Retained earnings (deficit), July 1	\$156,482	\$125,338
Net operating income (loss) for the year	<u>128,064</u>	<u>31,144</u>
RETAINED EARNINGS (DEFICIT), JUNE 30	<u><u>\$284,546</u></u>	<u><u>\$156,482</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

EMPLOYEE BENEFIT FUND
STATEMENTS OF CASH FLOWS

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers	\$1,075,822	\$1,087,656
Payments to suppliers	(12,575)	(13,923)
Payments to employees	(954,524)	(1,064,864)
Other receipts	<u>24,668</u>	<u>22,780</u>
Cash flows provided (used) by operating activities	\$ 133,391	\$ 31,649
Cash, beginning of year	<u>254,377</u>	<u>222,728</u>
Cash, end of year	<u>\$ 387,768</u>	<u>\$ 254,377</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 128,064	\$ 31,144
Changes in assets and liabilities:		
Prepaid expense	8,087	4,430
Accounts payable	(364)	1,071
Accumulated employee sick leave	3,943	7,634
Accumulated employee vacation	<u>(6,339)</u>	<u>(12,630)</u>
Net cash provided (used) by operating activities	<u>\$ 133,391</u>	<u>\$ 31,649</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

AGENCY FUND

TAX COLLECTION FUND

STATEMENTS OF CHANGES IN ASSETS AND LIABILITIES

For the Year ended June 30, 2008

	Balance <u>07-01-07</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06-30-08</u>
<u>ASSETS</u>				
Cash	<u>\$ 13,868</u>	<u>\$4,645,189</u>	<u>\$4,617,953</u>	<u>\$ 41,104</u>
<u>LIABILITIES</u>				
Due to (from) component unit:				
Downtown Development Authority	\$ 1,536	\$ 337,282	\$ 338,104	\$ 714
Tax Increment Finance Authority	(28)	618,672	617,233	1,411
Due to other governmental units	<u>12,360</u>	<u>3,689,235</u>	<u>3,662,616</u>	<u>38,979</u>
TOTAL LIABILITIES	<u>\$ 13,868</u>	<u>\$4,645,189</u>	<u>\$4,617,953</u>	<u>\$ 41,104</u>

The accompanying notes to financial statements
are an integral part of this statement.

GROUPS OF ACCOUNTS

CITY OF HOUGHTON, MICHIGAN
GENERAL FIXED ASSETS GROUP OF ACCOUNTS
STATEMENTS OF GENERAL FIXED ASSETS

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
 <u>GENERAL FIXED ASSETS</u>		
Land, buildings, and improvements	\$ 7,528,279	\$ 7,515,791
Improvements other than buildings	<u>2,978,136</u>	<u>2,958,131</u>
	<u>\$10,506,415</u>	<u>\$10,473,922</u>
 <u>INVESTMENT IN GENERAL FIXED ASSETS</u>		
Capital Projects Funds:		
State grants	\$ 1,541,140	\$ 1,541,140
Federal grants	1,029,744	1,029,744
County grants	70,000	70,000
Local contributions	56,976	56,976
General Fund and other fund grants	1,947,317	1,947,317
General Fund grants	4,601,545	4,569,052
State grants	877,193	877,193
Gifts	<u>382,500</u>	<u>382,500</u>
	<u>\$10,506,415</u>	<u>\$10,473,922</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
GENERAL LONG-TERM DEBT GROUP OF ACCOUNTS
STATEMENTS OF GENERAL LONG-TERM DEBT

	June 30,	
	2008	2007

AMOUNT TO BE PROVIDED FOR THE
RETIREMENT OF GENERAL LONG-TERM DEBT

Amount to be provided for the payment of accrued compensated absences	\$ 162,641	\$ 149,201
Amounts to be provided for retirement of loans and bonds payable	<u>3,129,719</u>	<u>3,285,691</u>
	<u><u>\$3,292,360</u></u>	<u><u>\$3,434,892</u></u>

GENERAL LONG-TERM DEBT PAYABLE

Accrued compensated absences payable	\$ 162,641	\$ 149,201
1997 Building Authority and Building Authority Bonds	335,000	395,000
2005 General Obligation Limited Tax Bonds	1,930,000	1,965,000
Installment contract	548,243	571,334
Rural Development installment contract	184,000	193,000
Michigan CDBG Economic Development Grant Loan	102,354	124,312
Promissory Note - retirement annuity	<u>30,122</u>	<u>37,045</u>
	<u><u>\$3,292,360</u></u>	<u><u>\$3,434,892</u></u>

General Obligation Water Supply and Sewage Disposal System Revenue Bonds of 1978, 1980, 1995 and 1997, aggregating \$4,316,000, which are not reflected above, are included in the balance sheet of the Water Supply Fund. Water Supply and Sewage System Bonds of 1996 totaling \$305,000, and Sewage System Limited Obligation Revenue Bonds of 1997 totaling \$160,000 which are not reflected above, are included in the balance sheet of the Sewage Disposal System Fund. All the above are scheduled in Note G to the financial statements at June 30, 2008.

Notes payable in the amount of \$71,561 not reflected above, are included in the balance sheets of the Equipment Fund, and are described in Note G to the financial statements at June 30, 2008.

The accompanying notes to financial statements are an integral part of this statement.

DISCRETELY PRESENTED COMPONENT UNITS

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS
June 30, 2008

	<u>Totals</u> <u>(Memorandum Only)</u>		<u>General</u>	<u>Debt</u>	<u>Long-Term</u>
	<u>2008</u>	<u>2007</u>	<u>Fund</u>	<u>Service</u>	<u>Debt</u>
				<u>Funds</u>	<u>Group of</u>
					<u>Accounts</u>
<u>ASSETS</u>					
Cash	\$ 114,584	\$ 89,451	\$ 113,890	\$ 694	\$ -
Taxes receivable	10,262	771	10,262	-	-
Due from primary government	714	1,536	714	-	-
Amount to be provided for retirement of long-term debt	<u>853,405</u>	<u>910,806</u>	<u>-</u>	<u>-</u>	<u>853,405</u>
	<u>\$ 978,965</u>	<u>\$1,002,564</u>	<u>\$ 124,866</u>	<u>\$ 694</u>	<u>\$ 853,405</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 2,268	\$ 5,472	\$ 2,268	\$ -	\$ -
Deferred revenue	3,488	771	3,488	-	-
Due to primary government	30,000	142	30,000	-	-
Long-term debt	<u>853,405</u>	<u>910,806</u>	<u>-</u>	<u>-</u>	<u>853,405</u>
TOTAL LIABILITIES	\$ 889,161	\$ 917,191	\$ 35,756	\$ -	\$ 853,405
<u>FUND BALANCE (DEFICIT)</u>	<u>89,804</u>	<u>85,373</u>	<u>89,110</u>	<u>694</u>	<u>-</u>
	<u>\$ 978,965</u>	<u>\$1,002,564</u>	<u>\$ 124,866</u>	<u>\$ 694</u>	<u>\$ 853,405</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY

A discretely presented component unit

COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year ended June 30, 2008

	Totals (Memorandum Only)		General	Debt
	2008	2007	Fund	Service Funds
Revenues:				
Taxes	\$ 350,953	\$ 338,160	\$ 350,953	\$ -
Interest and rents	5,843	6,942	5,843	-
Miscellaneous	<u>5,343</u>	<u>1,600</u>	<u>5,343</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 362,139</u>	<u>\$ 346,702</u>	<u>\$ 362,139</u>	<u>\$ -</u>
Expenditures:				
Administration	\$ 73,040	\$ 29,295	\$ 73,040	\$ -
Recreation and parks	24,731	-	24,731	-
Capital outlay	53,742	50,615	53,742	-
Debt Service:				
Principal	53,811	55,082	-	53,811
Interest	<u>64,619</u>	<u>58,893</u>	<u>-</u>	<u>64,619</u>
TOTAL EXPENDITURES	<u>\$ 269,943</u>	<u>\$ 193,885</u>	<u>\$ 151,513</u>	<u>\$118,430</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 92,196</u>	<u>\$ 152,817</u>	<u>\$ 210,626</u>	<u>(\$118,430)</u>
Other financing sources (uses):				
Operating transfers to primary government	(\$ 87,765)	(\$ 88,190)	(\$ 87,765)	\$ -
Operating transfers from other funds	118,430	113,975	-	118,430
Operating transfers to other funds	<u>(118,430)</u>	<u>(113,975)</u>	<u>(118,430)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 87,765)</u>	<u>(\$ 88,190)</u>	<u>(\$ 206,195)</u>	<u>\$118,430</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ 4,431	\$ 64,627	\$ 4,431	\$ -
Fund balance (deficit), July 1	<u>85,373</u>	<u>20,746</u>	<u>84,679</u>	<u>694</u>
TOTAL FUND BALANCE (DEFICIT), JUNE 30	<u><u>\$ 89,804</u></u>	<u><u>\$ 85,373</u></u>	<u><u>\$ 89,110</u></u>	<u><u>\$ 694</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
GENERAL FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 113,890	\$ 88,757
Taxes receivable	10,262	771
Due from primary government	<u>714</u>	<u>1,536</u>
	<u>\$ 124,866</u>	<u>\$ 91,064</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 2,268	\$ 5,472
Due to primary government	30,000	142
Deferred revenue	<u>3,488</u>	<u>771</u>
TOTAL LIABILITIES	\$ 35,756	\$ 6,385
<u>FUND BALANCE (DEFICIT)</u>	<u>89,110</u>	<u>84,679</u>
	<u>\$ 124,866</u>	<u>\$ 91,064</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

DOWNTOWN DEVELOPMENT AUTHORITY

A discretely presented component unit

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Year ended June 30, 2008

With Actual Amounts for Year Ended June 30, 2007

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
Taxes	\$352,835	\$350,953	(\$ 1,882)	\$338,160
Interest and rents	3,000	5,843	2,843	6,942
Miscellaneous	<u>10,000</u>	<u>5,343</u>	<u>(4,657)</u>	<u>1,600</u>
TOTAL REVENUES	<u>\$365,835</u>	<u>\$362,139</u>	<u>(\$ 3,696)</u>	<u>\$346,702</u>
Expenditures:				
General government administration	\$ 47,500	\$ 73,040	(\$ 25,540)	\$ 29,295
Recreation and parks	29,200	24,731	4,469	-
Capital outlay	<u>109,915</u>	<u>53,742</u>	<u>56,173</u>	<u>50,615</u>
TOTAL EXPENDITURES	<u>\$186,615</u>	<u>\$151,513</u>	<u>\$ 35,102</u>	<u>\$ 79,910</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$179,220</u>	<u>\$210,626</u>	<u>\$ 31,406</u>	<u>\$266,792</u>
Other financing sources (uses):				
Operating transfers to primary government	(\$ 60,790)	(\$ 87,765)	(\$ 26,975)	(\$ 88,190)
Operating transfers to other funds	<u>(118,430)</u>	<u>(118,430)</u>	<u>-</u>	<u>(113,975)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$179,220)</u>	<u>(\$206,195)</u>	<u>(\$ 26,975)</u>	<u>(\$202,165)</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ 4,431	\$ 4,431	\$ 64,627
Fund balance (deficit), July 1	<u>84,679</u>	<u>84,679</u>	<u>-</u>	<u>20,052</u>
TOTAL FUND BALANCE (DEFICIT), JUNE 30	<u>\$ 84,679</u>	<u>\$ 89,110</u>	<u>\$ 4,431</u>	<u>\$ 84,679</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS
June 30, 2008
With Totals for June 30, 2007

	Totals (Memorandum Only)		1996 Building Authority Bonds	1994 DDA Limited Tax General Obligation Bonds
	<u>2008</u>	<u>2007</u>	<u>Bonds</u>	<u>Bonds</u>
<u>ASSETS</u>				
Cash	\$ <u>694</u>	\$ <u>694</u>	\$ <u>613</u>	\$ <u>81</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund Equity	<u>694</u>	<u>694</u>	<u>613</u>	<u>81</u>
	<u>\$ 694</u>	<u>\$ 694</u>	<u>\$ 613</u>	<u>\$ 81</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 DOWNTOWN DEVELOPMENT AUTHORITY
 A discretely presented component unit
 DEBT SERVICE FUNDS
 COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY
 Year ended June 30, 2008
 With Totals for June 30, 2007

	Totals (Memorandum Only)		1996 Building Authority Bonds	1994 DDA Limited Tax General Obligation Bonds
	<u>2008</u>	<u>2007</u>		
Revenues -				
Contributions from other funds	\$ <u>118,430</u>	\$ <u>113,975</u>	\$ <u>13,430</u>	\$ <u>105,000</u>
Expenditures:				
Redemption of serial bonds	\$ <u>53,811</u>	\$ <u>55,082</u>	\$ <u>10,000</u>	\$ <u>43,811</u>
Interest on bonds	<u>64,619</u>	<u>58,893</u>	<u>3,430</u>	<u>61,189</u>
TOTAL EXPENDITURES	\$ <u>118,430</u>	\$ <u>113,975</u>	\$ <u>13,430</u>	\$ <u>105,000</u>
EXCESS OF REVENUES	\$ -	\$ -	\$ -	\$ -
Fund equity, July 1	<u>694</u>	<u>694</u>	<u>613</u>	<u>81</u>
FUND EQUITY, JUNE 30	<u>\$ <u>691</u></u>	<u>\$ <u>694</u></u>	<u>\$ <u>613</u></u>	<u>\$ <u>81</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY
A discretely presented component unit
STATEMENTS OF GENERAL LONG-TERM DEBT

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
 <u>AMOUNT TO BE PROVIDED FOR THE</u> <u>RETIREMENT OF GENERAL LONG-TERM DEBT</u>		
Amounts to be provided for the retirement of long-term debt	<u>\$ 853,405</u>	<u>\$ 910,806</u>
 <u>GENERAL LONG-TERM DEBT PAYABLE</u>		
Limited tax development bonds, including accrued interest	\$ 798,405	\$ 845,806
1996 Building Authority Bonds	<u>55,000</u>	<u>65,000</u>
	<u>\$ 853,405</u>	<u>\$ 910,806</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
COMBINED BALANCE SHEETS
June 30, 2008

	Totals (Memorandum Only)		General	Debt	Long-Term
	<u>2008</u>	<u>2007</u>	<u>Fund</u>	<u>Service</u>	<u>Debt</u>
				<u>Funds</u>	<u>Group of</u>
					<u>Accounts</u>
<u>ASSETS</u>					
Cash	\$ 32,660	\$ 1,247	\$ 32,539	\$ 121	\$ -
Accounts receivable	-	18,384	-	-	-
Taxes receivable	32,274	19,244	32,274	-	-
Due from primary government	80,180	78,769	80,180	-	-
Amount to be provided for retirement of long-term debt	<u>1,130,000</u>	<u>1,288,276</u>	<u>-</u>	<u>-</u>	<u>1,130,000</u>
	<u>\$1,275,114</u>	<u>\$1,405,920</u>	<u>\$ 144,993</u>	<u>\$ 121</u>	<u>\$1,130,000</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts payable	\$ 18,448	\$ 39,847	\$ 18,448	\$ -	\$ -
Accrued wages and benefits	4,642	1,676	4,642	-	-
Due to primary government	7,885	13,258	7,885	-	-
Deferred revenue	4,929	642	4,929	-	-
Long-term debt	<u>1,130,000</u>	<u>1,288,276</u>	<u>-</u>	<u>-</u>	<u>1,130,000</u>
TOTAL LIABILITIES	\$1,165,904	\$1,343,699	\$ 35,904	\$ -	\$1,130,000
<u>FUND BALANCE</u>	<u>109,210</u>	<u>62,221</u>	<u>109,089</u>	<u>121</u>	<u>-</u>
	<u>\$1,275,114</u>	<u>\$1,405,920</u>	<u>\$ 144,993</u>	<u>\$ 121</u>	<u>\$1,130,000</u>

The accompanying notes to financial statements
are an integral part of this statements.

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY

A discretely presented component unit

COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year ended June 30, 2008

	Totals (Memorandum Only)		General Fund	Debt Service Funds
	<u>2008</u>	<u>2007</u>		
Revenues:				
Taxes	\$ 627,415	\$ 621,294	\$ 627,415	\$ -
Interest and rents	<u>10,278</u>	<u>7,749</u>	<u>10,278</u>	<u>-</u>
TOTAL REVENUES	<u>\$ 637,693</u>	<u>\$ 629,043</u>	<u>\$ 637,693</u>	<u>\$ -</u>
Expenditures:				
General government administration	\$ 131,162	\$ 61,914	\$ 131,162	\$ -
Capital outlay	234,646	393,598	234,646	-
Debt Service:				
Principal	158,276	152,208	-	158,276
Interest	66,620	74,955	-	66,620
Other	<u>-</u>	<u>300</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 590,704</u>	<u>\$ 682,975</u>	<u>\$ 365,808</u>	<u>\$224,896</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ 46,989</u>	<u>(\$ 53,932)</u>	<u>\$ 271,885</u>	<u>(\$224,896)</u>
Other financing sources (uses):				
Operating transfers from other funds	\$ 224,832	\$ 227,812	\$ -	\$224,832
Operating transfers to other funds	<u>(224,832)</u>	<u>(227,812)</u>	<u>(224,832)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 224,832)</u>	<u>\$224,832</u>
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	<u>\$ 46,989</u>	<u>(\$ 53,932)</u>	<u>\$ 47,053</u>	<u>(\$ 64)</u>
Fund balance (deficit), July 1	<u>62,221</u>	<u>116,153</u>	<u>62,036</u>	<u>185</u>
TOTAL FUND BALANCE (DEFICIT), JUNE 30	<u><u>\$ 109,210</u></u>	<u><u>\$ 62,221</u></u>	<u><u>\$ 109,089</u></u>	<u><u>\$ 121</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
GENERAL FUND
BALANCE SHEETS

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 32,539	\$ 1,062
Taxes receivable	32,274	19,244
Accounts receivable	-	18,384
Due from primary government	<u>80,180</u>	<u>78,769</u>
	<u>\$149,993</u>	<u>\$117,459</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 18,448	\$ 39,847
Accrued wages and benefits	4,642	1,676
Due to primary government	7,885	13,258
Deferred revenue	<u>4,929</u>	<u>642</u>
TOTAL LIABILITIES	\$ 35,904	\$ 55,423
<u>FUND BALANCE</u>	<u>109,089</u>	<u>62,036</u>
	<u>\$144,993</u>	<u>\$117,459</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year ended June 30, 2008
With Actual Amounts for Year Ended June 30, 2007

	2008			2007
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:				
Taxes	\$ 636,200	\$ 627,415	(\$ 8,785)	\$ 621,294
Interest and rents	<u>5,000</u>	<u>10,278</u>	<u>5,278</u>	<u>7,749</u>
TOTAL REVENUES	\$ 641,200	\$ 637,693	(\$ 3,507)	\$ 629,043
Expenditures:				
General government administration	\$ 91,400	\$ 131,162	(\$ 39,762)	\$ 61,914
Capital outlay	<u>324,905</u>	<u>234,646</u>	<u>90,259</u>	<u>393,598</u>
TOTAL EXPENDITURES	\$ 416,305	\$ 365,808	\$ 50,497	\$ 455,512
EXCESS OF REVENUES (EXPENDITURES)	\$ 224,895	\$ 271,885	\$ 46,990	\$ 173,531
Other financing sources (uses):				
Operating transfers from other funds	\$ -	\$ -	\$ -	\$ 349
Operating transfers to other fund	(224,895)	(224,832)	63	(227,463)
TOTAL OTHER FINANCING SOURCES (USES)	(\$ 224,895)	(\$ 224,832)	\$ 63	(\$ 227,114)
EXCESS OF REVENUES AND OTHER SOURCES (EXPENDITURES AND OTHER USES)	\$ -	\$ 47,053	\$ 47,053	(\$ 53,583)
Fund balance (deficit), July 1	<u>62,036</u>	<u>62,036</u>	<u>-</u>	<u>115,619</u>
TOTAL FUND BALANCE (DEFICIT), JUNE 30	<u>\$ 62,036</u>	<u>\$ 109,089</u>	<u>\$ 47,053</u>	<u>\$ 62,036</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
DEBT SERVICE FUNDS
COMBINING BALANCE SHEETS
Year ended June 30, 2008
With totals for June 30, 2007

	Totals (Memorandum Only)		<u>Tax Increment Revenue Bonds</u>		
			1993	1998	1999
	<u>2008</u>	<u>2007</u>	Wal-mart Project	LTD Refunding Bonds	Bluffs Bond Debt
<u>ASSETS</u>					
Cash	\$ <u>121</u>	\$ <u>185</u>	\$ <u>-</u>	\$ <u>58</u>	\$ <u>63</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Equity	<u>121</u>	<u>185</u>	<u>-</u>	<u>58</u>	<u>63</u>
	<u>\$ 121</u>	<u>\$ 185</u>	<u>\$ -</u>	<u>\$ 58</u>	<u>\$ 63</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TAX INCREMENT FINANCE AUTHORITY

A discretely presented component unit

DEBT SERVICE FUNDS

COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND FUND EQUITY

Year ended June 30, 2008

With totals for June 30, 2007

	<u>Totals</u>		<u>Tax Increment Revenue Bonds</u>		
	<u>(Memorandum Only)</u>		1993	1998	1999
	<u>2008</u>	<u>2007</u>	Wal-mart	LTD	Bluffs
			<u>Project</u>	<u>Bonds</u>	<u>Bond</u>
					<u>Debt</u>
Revenues -					
Contributions from other funds	\$224,832	\$227,463	\$ 56,674	\$ 123,968	\$ 44,190
Expenditures:					
Redemption of serial bonds	\$158,276	\$152,208	\$ 53,276	\$ 85,000	\$ 20,000
Interest on bonds	66,620	74,955	3,462	38,968	24,190
Paying agent fee					
and miscellaneous	-	300	-	-	-
Transfers to other funds	-	349	-	-	-
TOTAL EXPENDITURES	\$224,896	\$227,812	\$ 56,738	\$ 123,968	\$ 44,190
EXCESS OF REVENUES	(\$ 64)	(\$ 349)	(\$ 64)	\$ -	\$ -
Fund equity, July 1	185	534	64	58	63
FUND EQUITY, JUNE 30	\$ 121	\$ 185	\$ -	\$ 58	\$ 63

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TAX INCREMENT FINANCE AUTHORITY
A discretely presented component unit
STATEMENTS OF GENERAL LONG-TERM DEBT

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>AMOUNT TO BE PROVIDED FOR THE</u> <u>RETIREMENT OF GENERAL LONG-TERM DEBT</u>		
Amounts to be provided for the retirement of bonds payable	<u>\$1,130,000</u>	<u>\$1,288,276</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>		
Walmart Store Project Bonds	\$ -	\$ 53,276
1998 Limited Tax Development Refunding Bonds	735,000	820,000
1999 Bluffs Project Bonds	<u>395,000</u>	<u>415,000</u>
	<u>\$1,130,000</u>	<u>\$1,288,276</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 BROWNFIELD REDEVELOPMENT AUTHORITY
 A discretely presented component unit
 COMBINED BALANCE SHEETS
 June 30, 2008

	<u>Totals</u> <u>(Memorandum Only)</u>		<u>General</u> <u>Fund</u>	<u>Long-Term</u> <u>Debt</u> <u>Group of</u> <u>Accounts</u>
	<u>2008</u>	<u>2007</u>		
<u>ASSETS</u>				
Cash	\$ 102	\$ 102	\$ 102	\$ -
Due from primary government	15,383	15,383	15,383	-
Due from other governmental units	219,373	260,394	219,373	-
Amount to be provided for retirement of long-term debt	<u>219,373</u>	<u>260,394</u>	<u>-</u>	<u>219,373</u>
	<u>\$454,231</u>	<u>\$536,273</u>	<u>\$234,858</u>	<u>\$ 219,373</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Deferred revenue	\$219,373	\$260,394	\$219,873	\$ -
Long-term debt	<u>219,373</u>	<u>260,394</u>	<u>-</u>	<u>219,373</u>
TOTAL LIABILITIES	\$438,746	\$520,788	\$219,373	\$ 219,373
<u>FUND BALANCE</u>	<u>15,485</u>	<u>15,485</u>	<u>15,485</u>	<u>-</u>
	<u>\$454,231</u>	<u>\$536,273</u>	<u>\$234,858</u>	<u>\$ 219,373</u>

The accompanying notes to financial statements
 are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 BROWNFIELD REDEVELOPMENT AUTHORITY
 A discretely presented component unit
 GENERAL FUND
 BALANCE SHEETS

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 102	\$ 102
Due from primary government	15,383	15,383
Due from other governmental units	<u>219,373</u>	<u>260,394</u>
	<u>\$234,858</u>	<u>\$275,879</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Deferred revenue	\$219,373	\$260,394
<u>FUND BALANCE</u>	<u>15,485</u>	<u>15,485</u>
	<u>\$234,858</u>	<u>\$275,879</u>

The accompanying notes to financial statements
 are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
 BROWNFIELD REDEVELOPMENT AUTHORITY
 A discretely presented component unit
 GENERAL FUND
 STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 Year ended June 30, 2008
 With Actual Amounts for Year Ended June 30, 2007

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Actual</u>
Revenues:				
County	\$ 46,880	\$ 46,880	\$ -	\$ 46,880
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
TOTAL REVENUES	<u>\$ 46,880</u>	<u>\$ 46,880</u>	<u>\$ -</u>	<u>\$ 46,881</u>
Expenditures:				
Principal	\$ 41,021	\$ 41,021	\$ -	\$ 40,118
Interest	<u>5,859</u>	<u>5,859</u>	<u>-</u>	<u>6,762</u>
TOTAL EXPENDITURES	<u>\$ 46,880</u>	<u>\$ 46,880</u>	<u>\$ -</u>	<u>\$ 46,880</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES	\$ -	\$ -	\$ -	\$ 1
Fund balance, July 1	<u>15,485</u>	<u>15,485</u>	<u>-</u>	<u>15,484</u>
TOTAL FUND BALANCE, JUNE 30	<u><u>\$ 15,485</u></u>	<u><u>\$ 15,485</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,485</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
BROWNFIELD REDEVELOPMENT AUTHORITY
A discretely presented component unit
STATEMENTS OF GENERAL LONG-TERM DEBT

	<u>June 30,</u>	
<u>AMOUNT TO BE PROVIDED FOR THE</u> <u>RETIREMENT OF GENERAL LONG-TERM DEBT</u>	<u>2008</u>	<u>2007</u>
Amount to be provided for the retirement of bonds payable	<u>\$219,373</u>	<u>\$260,394</u>
<u>GENERAL LONG-TERM DEBT PAYABLE</u>		
Limited obligation revenue bonds	<u>\$219,373</u>	<u>\$260,394</u>

The accompanying notes to financial statements
are an integral part of this statement.

OTHER FINANCIAL INFORMATION

CITY OF HOUGHTON, MICHIGAN

GENERAL FUND

STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
REVENUES:		
Taxes:		
Real property taxes	\$ 1,091,439	\$1,014,103
Personal property taxes	67,844	58,469
Payments in lieu of taxes	6,310	6,223
Previously written off	8,690	3,182
Administration fees and interest	<u>32,310</u>	<u>41,495</u>
TOTAL TAXES	<u>\$ 1,206,593</u>	<u>\$1,123,472</u>
Licenses and permits	<u>\$ 6,950</u>	<u>\$ 6,295</u>
State grants:		
Sales and use tax	\$ 790,260	\$ 818,102
Liquor licenses	8,071	7,709
Fire protection	26,589	35,568
CDBG	-	165,000
Rural development	-	45,000
Other	<u>8,977</u>	<u>7,655</u>
TOTAL STATE GRANTS	<u>\$ 833,897</u>	<u>\$1,079,034</u>
Charges for service:		
Accident reports	\$ 2,049	\$ 2,348
Lighting - MTU	3,326	3,411
Dee Stadium	133,463	132,129
Sanitation	281,758	282,895
Charges to users	<u>277,337</u>	<u>277,867</u>
TOTAL CHARGES FOR SERVICES	<u>\$ 697,933</u>	<u>\$ 698,650</u>
Interest and rents -		
Interest income	<u>\$ 66,172</u>	<u>\$ 59,208</u>
Other revenue:		
Sale of assets	\$ 13,701	\$ 12,846
Fines and forfeits	4,400	5,293
Miscellaneous	<u>35,935</u>	<u>13,393</u>
TOTAL OTHER REVENUE	<u>\$ 54,036</u>	<u>\$ 31,532</u>
TOTAL REVENUES	<u>\$ 2,865,581</u>	<u>\$2,998,191</u>
EXPENDITURES:		
General government administration:		
Legislative	\$ 20,546	\$ 23,367
City manager	88,673	82,404
Elections	7,823	9,992
Assessor	31,024	32,659
Planning and professional services	47,440	71,559
Clerk	142,923	135,207
Treasurer	51,232	53,645
Accounting and auditing	14,000	15,000
Building and grounds	173,728	167,624
Community promotion	80,527	62,167
Capital outlay	<u>22,745</u>	<u>612,553</u>
TOTAL GENERAL GOVERNMENT ADMINISTRATION	<u>680,661</u>	<u>1,266,177</u>

CITY OF HOUGHTON, MICHIGAN
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND FUND BALANCE (CONTINUED)

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
Public safety:		
Police	\$ 652,766	\$ 662,030
Fire	126,723	137,577
Capital outlay	<u>9,748</u>	<u>248,027</u>
TOTAL PUBLIC SAFETY	<u>\$ 789,237</u>	<u>\$1,047,634</u>
Public works:		
Department of public works	\$ 6,856	\$ 6,108
Building inspection	80,517	77,329
Sidewalks and curbs	26,230	27,099
Street lighting	135,493	165,331
Tree trimming	7,197	10,487
Refuse collections	<u>252,357</u>	<u>258,534</u>
TOTAL PUBLIC WORKS	<u>\$ 508,650</u>	<u>\$ 544,888</u>
Recreation and parks:		
Beach	\$ 44,478	\$ 38,941
Museum	-	9,619
Dee Stadium	127,074	117,404
Parks	<u>105,979</u>	<u>91,929</u>
TOTAL RECREATION AND PARKS	<u>\$ 277,531</u>	<u>\$ 257,893</u>
Debt service:		
Principal	\$ 54,048	\$ 40,851
Interest	<u>30,553</u>	<u>17,782</u>
TOTAL DEBT SERVICE	<u>\$ 84,601</u>	<u>\$ 58,633</u>
Other expenditures:		
City beautification	\$ 9,684	\$ 10,029
Insurance, bonds, and fringes	56,453	60,192
Finance charge	3	78
Miscellaneous	<u>9,873</u>	<u>10,153</u>
TOTAL OTHER EXPENDITURES	<u>\$ 76,013</u>	<u>\$ 80,452</u>
TOTAL EXPENDITURES	<u>\$ 2,416,693</u>	<u>\$3,255,677</u>
EXCESS REVENUES OVER EXPENDITURES	<u>\$ 448,888</u>	<u>(\$ 257,486)</u>
Other financing sources (uses):		
Proceeds from long-term debt	\$ -	\$ 193,000
Operating transfers in	5,700	5,700
Operating transfers out	<u>(468,454)</u>	<u>(398,991)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(\$ 462,754)</u>	<u>(\$ 200,291)</u>
EXCESS OF REVENUES AND OTHER SOURCES		
(EXPENDITURES AND OTHER USES)	<u>(\$ 13,866)</u>	<u>(\$ 457,777)</u>
Fund Balance, July 1	<u>822,364</u>	<u>1,280,141</u>
FUND BALANCE, JUNE 30	<u><u>\$ 808,498</u></u>	<u><u>\$ 822,364</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

MAJOR STREET AND TRUNKLINE MAINTENANCE FUND
SCHEDULES OF EXPENDITURES AND REIMBURSEMENTS FOR STATE TRUNKLINE MAINTENANCE

	<u>June 30,</u>	
	<u>2008</u>	<u>2007</u>
Expenditures:		
Traffic signals	\$ 9,129	\$ 7,513
Surface maintenance	14,889	81,183
Sweeping and flushing	5,423	11,710
Culvert/underdrain	5,319	1,183
Snow and ice control	348,571	315,790
Other	<u>2,269</u>	<u>543</u>
	\$385,600	\$417,922
Reimbursements		
Michigan Department of Highways and Transportation	<u>387,159</u>	<u>369,378</u>
	<u>\$ 1,559</u>	<u>(\$ 48,544)</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
SCHEDULE OF OPERATING REVENUES
Year ended June 30, 2008

	7-1-07 to <u>9-30-07</u>	10-1-07 to <u>6-30-08</u>	<u>Total</u>
Fare box	\$ 18,762	\$ 51,528	\$ 70,290
Special contract fares	9,048	26,578	35,626
Other revenue - RTAP reimbursements	<u>2,857</u>	<u>302</u>	<u>3,159</u>
TOTAL OPERATING REVENUES	<u>\$ 30,667</u>	<u>\$ 78,408</u>	<u>\$109,075</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 2008

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 129,978	\$ -	\$ -	\$129,978
Other salaries and wages	-	38,487	33,093	71,580
Fringe benefits	27,919	30,749	24,888	83,556
Pension	3,959	5,725	4,497	14,181
Services:				
Contracted services	70	4,777	-	4,847
Printing and publishing	-	-	939	939
Audit	-	-	2,500	2,500
Materials and supplies consumed:				
Fuel and lubricants	55,347	-	-	55,347
Repairs and maintenance	-	22,733	-	22,733
Other materials and supplies	7,447	5,822	-	13,269
Utilities	1,891	17,874	-	19,765
Casualty and liability cost - Premiums for public liability and property damage insurance	-	23,310	-	23,310
Miscellaneous expenses	1,114	457	3,797	5,368
Depreciation	<u>50,104</u>	<u>3,324</u>	<u>19,422</u>	<u>72,850</u>
TOTAL OPERATING EXPENSES	<u>\$ 277,829</u>	<u>\$ 153,258</u>	<u>\$ 89,136</u>	<u>\$520,223</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES
Year ended June 30, 2008

Non-operating revenues:

Operating transfers in - General Fund	\$108,000
State of Michigan operating grants:	
Local Bus Operating Assistance - Act 51	162,704
FY 2005 adjustment	5,197
Specialized Services -	
Contract 02-0046	50,638
Federal Operating Grant - U.S. DOT Operating	
Grant - Section 5311:	
Contract 02-0046	71,051
Interest income	<u>15</u>
TOTAL NON-OPERATING REVENUES	<u>\$397,605</u>

Non-operating expenses:

Specialized Services Grants -	
Contract 02-0046	\$ 50,638
Finance charges	<u>3</u>
TOTAL NON-OPERATING EXPENSES	<u>\$ 50,641</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
LOCAL REVENUES
Year ended June 30, 2008

	7-1-07 to <u>9-30-07</u>	10-1-07 to <u>6-30-08</u>	<u>Total</u>
Fare box	\$ 18,762	\$ 51,528	\$ 70,290
Special contract fares	<u>9,048</u>	<u>26,578</u>	<u>35,626</u>
TOTAL EXPENSES	<u>\$ 27,810</u>	<u>\$ 78,106</u>	<u>\$105,916</u>

Based on a September 30, 2007 Year End

	10-1-06 to <u>6-30-07</u>	7-1-07 to <u>9-30-07</u>	<u>Total</u>
Fare box	\$ 50,158	\$ 18,762	\$ 68,920
Special contract fares	<u>26,907</u>	<u>9,048</u>	<u>35,955</u>
TOTAL EXPENSES	<u>\$ 77,065</u>	<u>\$ 27,810</u>	<u>\$104,875</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
FEDERAL AND STATE AWARDS
For the Year ended June 30, 2008

	7-1-07 to <u>9-30-07</u>	10-1-07 to <u>6-30-08</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act51)	\$ 33,993	\$128,711	\$162,704
Federal Transit Administration Section 5311	14,083	56,968	71,051
RTAP	<u>2,857</u>	<u>302</u>	<u>3,159</u>
TOTAL	<u>\$ 50,933</u>	<u>\$185,981</u>	<u>\$236,914</u>

Based on a September 30, 2007 Year End

	10-1-06 to <u>6-30-07</u>	7-1-07 to <u>9-30-07</u>	<u>Total</u>
Michigan Department of Transportation Local Bus Operating (Act51)	\$115,730	\$ 33,993	\$149,723
Federal Transit Administration Section 5311	47,945	14,083	62,028
RTAP	<u>1,948</u>	<u>2,857</u>	<u>4,805</u>
TOTAL	<u>\$165,623</u>	<u>\$ 50,933</u>	<u>\$216,556</u>

The accompanying notes to financial statements
are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
OPERATING AND CONTRACT EXPENSES
Year ended June 30, 2008

	<u>Nonurban</u>	<u>Specialized Services</u>	<u>Operating Contract</u>	<u>Total</u>
Expenses:				
Labor	\$ 201,558	\$ -	\$ -	\$201,558
Fringe benefits	83,556	-	-	83,556
Pension	14,181	-	-	14,181
Services	8,286	-	-	8,286
Materials and supplies	91,349	-	-	91,349
Utilities	19,765	-	-	19,765
Casualty and liability costs	23,310	-	-	23,310
Purchased services	-	50,638	-	50,638
Miscellaneous expenses	5,368	-	-	5,368
Depreciation	<u>72,850</u>	<u>-</u>	<u>-</u>	<u>72,850</u>
TOTAL EXPENSES	<u>\$ 520,223</u>	<u>\$ 50,638</u>	<u>\$ -</u>	<u>\$570,861</u>

The Specialized Services Program is a pass-through program and all revenues are passed through directly to the recipient organization. Costs paid under this program were allocated under the 1990 Specialized Services plan. The plan was adhered to in the preparation of the financial statements.

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS
Year ended June 30, 2008

	<u>Federal Section 5311- Nonurban</u>		
	<u>07-0226/Z2</u>	<u>07-0226/Z4</u>	
	<u>7-1-07 to 9-30-07</u>	<u>10-1-07 to 6-30-08</u>	<u>Total</u>
Expenses:			
Labor	\$ 39,684	\$161,874	\$201,558
Fringe benefits	19,481	78,255	97,736
Services	1,748	6,538	8,286
Materials and supplies	19,311	72,037	91,348
Utilities	1,669	18,096	19,765
Casualty and liability costs	5,827	17,483	23,310
Miscellaneous expenses	3,266	2,104	5,370
Depreciation	<u>18,212</u>	<u>54,638</u>	<u>72,850</u>
TOTAL OPERATING EXPENSES	<u>\$109,198</u>	<u>\$411,025</u>	<u>\$520,223</u>
Less ineligible expenses:			
RTAP reimbursements	\$ 2,857	\$ 302	\$ 3,159
Finance charges and NSF	100	-	100
Association dues	12	37	49
Depreciation	<u>18,212</u>	<u>54,638</u>	<u>72,850</u>
TOTAL INELIGIBLE EXPENSES			
AND REIMBURSEMENTS	<u>\$ 21,181</u>	<u>\$ 54,977</u>	<u>\$ 76,158</u>
NET ELIGIBLE EXPENSES	<u>\$ 88,017</u>	<u>\$356,048</u>	<u>\$444,065</u>
Maximum Section 5311 reimbursement:			
16.00%	<u>\$ 14,083</u>		
16.00%		<u>\$ 56,968</u>	

State Statutory Operating Assistance - the lower of its:

Reimbursement Amount:

38.6208% of eligible expenses for non-urbanized areas
(.386208 x \$88,017)

36.15% of eligible expenses for non-urbanized areas
(.3615 x \$356,048)

The percentages are calculated based on budgeted eligible operating expenses. Therefore, the percentages will be recalculated after total eligible operating expenses are determined based on the preliminary reconciliation and the audited close-out. There is a fixed amount of state funds available statewide and the percentages change based on the statewide eligible expenses.

Statutory Cap:

Non-urbanized areas and urbanized areas under 100,000 population can receive up to 60% of eligible operating expenses.

Mandatory Floor:

An agency must receive, at a minimum, the amount received for eligible operating expenses in FY 1997, contingent upon the local share requirements set forth in Act 51, as amended.

Capital Money

No capital money has been used to pay operating expenses.

The accompanying notes to financial statements
are an integral part of this statement

Local Bus Operating Assistance

<u>7-1-07 to 9-30-07</u>	<u>10-1-07 to 6-30-08</u>	<u>Total</u>
\$ 39,684	\$161,874	\$ 201,558
19,481	78,255	97,736
1,748	6,538	8,286
19,311	72,037	91,348
1,669	18,096	19,765
5,827	17,483	23,310
3,266	2,104	5,370
<u>18,212</u>	<u>54,638</u>	<u>72,850</u>
<u>\$109,198</u>	<u>\$411,025</u>	<u>\$ 520,223</u>
\$ 2,857	\$ 302	\$ 3,159
100	-	100
12	37	49
<u>18,212</u>	<u>54,638</u>	<u>72,850</u>
<u>\$ 21,181</u>	<u>\$ 54,977</u>	<u>\$ 76,158</u>
<u>\$ 88,017</u>	<u>\$356,048</u>	<u>\$ 444,065</u>

\$ 33,993

\$ 128,711

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND

SCHEDULE OF NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

Based on a September 30, 2007 Year End

	<u>Federal Section 5311- Nonurban</u>		
	07-0226-Z2		
	<u>10-1-06 to 6-30-07</u>	<u>7-1-07 to 9-30-07</u>	<u>Total</u>
Expenses:			
Labor	\$145,794	\$ 39,684	\$185,478
Fringe benefits	70,977	19,481	90,458
Services	2,105	1,748	3,853
Materials and supplies	44,677	19,311	63,988
Utilities	14,780	1,669	16,449
Casualty and liability costs	18,655	5,827	24,482
Miscellaneous expenses	6,117	3,266	9,383
Depreciation	<u>47,078</u>	<u>18,212</u>	<u>65,290</u>
TOTAL OPERATING EXPENSES	<u>\$350,183</u>	<u>\$109,198</u>	<u>\$459,381</u>
Less ineligible expenses:			
RTAP reimbursements	\$ 1,948	\$ 2,857	\$ 4,805
Audit	1,500	-	1,500
Finance charges and NSF	-	100	100
Association dues	-	12	12
Depreciation	<u>47,078</u>	<u>18,212</u>	<u>65,290</u>
TOTAL INELIGIBLE EXPENSES			
AND REIMBURSEMENTS	<u>\$ 50,526</u>	<u>\$ 21,181</u>	<u>\$ 71,707</u>
NET ELIGIBLE EXPENSES	<u>\$299,657</u>	<u>\$ 88,017</u>	<u>\$387,674</u>
Maximum Section 5311 reimbursement:			
16.00%	<u>\$ 47,945</u>		
16.00%		<u>\$ 14,083</u>	

State Statutory Operating Assistance -

Reimbursement Amount:

38.6208% of eligible expenses for nonurbanized areas

(.386208 x \$299,657)

(.386208 x \$88,017)

The accompanying notes to financial statements
are an integral part of this statement.

Local Bus Operating Assistance

<u>10-1-06 to 6-30-07</u>	<u>7-1-07 to 9-30-07</u>	<u>Total</u>
\$145,794	\$ 39,684	\$ 185,478
70,977	19,481	90,458
2,105	1,748	3,853
44,677	19,311	63,988
14,780	1,669	16,449
18,655	5,827	24,482
6,117	3,266	9,383
<u>47,078</u>	<u>18,212</u>	<u>65,290</u>
<u>\$350,183</u>	<u>\$109,198</u>	<u>\$ 459,381</u>
\$ 1,948	\$ 2,857	\$ 4,805
1,500	-	1,500
-	100	100
-	12	12
<u>47,078</u>	<u>18,212</u>	<u>65,290</u>
<u>\$ 50,526</u>	<u>\$ 21,181</u>	<u>\$ 71,707</u>
<u>\$299,657</u>	<u>\$ 88,017</u>	<u>\$ 387,674</u>

\$115,730

\$ 33,993

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
NONURBAN REGULAR SERVICE EXPENSE REPORT
OAR SCHEDULE 4E
Based on the Year Ended September 30, 2007

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administration</u>	<u>Total System</u>
Labor:				
Operators' salaries and wages	\$ 121,590	\$ -	\$ -	\$121,590
Other salaries and wages	-	34,240	29,648	63,888
Fringe benefits	26,373	27,270	23,211	76,854
Pension	4,120	5,154	4,330	13,604
Services:				
Audit cost	-	-	1,500	1,500
Other services	214	1,748	391	2,353
Materials and supplies:				
Fuel and lubricants	38,080	-	-	38,080
Tires and tubes	1,687	-	-	1,687
Other materials and supplies	887	23,334	-	24,221
Utilities	2,535	13,914	-	16,449
Casualty and liability insurance	-	24,482	-	24,482
Miscellaneous expenses:				
Travel, meetings, and training	500	-	4,048	4,548
Other miscellaneous expenses	2,602	180	2,053	4,835
Depreciation	<u>39,179</u>	<u>3,107</u>	<u>23,004</u>	<u>65,290</u>
TOTAL EXPENSES	<u>\$ 237,767</u>	<u>\$ 133,429</u>	<u>\$ 88,185</u>	<u>\$459,381</u>
Ineligible expenses:				
RTAP	\$ -	\$ -	\$ 4,805	\$ 4,805
Depreciation	39,179	3,107	23,004	65,290
Audit cost	-	-	1,500	1,500
Finance charges and NSF	-	-	100	100
Association dues	<u>-</u>	<u>-</u>	<u>12</u>	<u>12</u>
TOTAL INELIGIBLE EXPENSES	<u>\$ 39,179</u>	<u>\$ 3,107</u>	<u>\$ 29,421</u>	<u>\$ 71,707</u>
TOTAL ELIGIBLE EXPENSES	<u>\$ 198,588</u>	<u>\$ 130,322</u>	<u>\$ 58,764</u>	<u>\$387,674</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN

TRANSIT FUND
NONURBAN REGULAR SERVICE NONFINANCIAL REPORT
OAR SCHEDULE 4N

Based on the Year ended September 30, 2007

	Public Transportation Mileage
<u>LINE HAUL AND DEMAND RESPONSE</u>	
First Quarter	34,376
Second Quarter	34,716
Third Quarter	30,981
Fourth Quarter	<u>31,666</u>
	<u>131,739</u>

The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage. However, the methodology used does not differentiate between Line Haul and Demand Response Mileage.

The accompanying notes to financial statements are an integral part of this statement.

CITY OF HOUGHTON, MICHIGAN
TRANSIT FUND
NONURBAN REGULAR SERVICE REVENUE REPORT
Based on a September 30, 2007 Year End

Farebox revenue:	
Passenger fares	\$ 68,920
Contract fares	35,955
State formula and contracts -	
State operating assistance	149,723
Federal contracts:	
Section 5311	62,028
RTAP	<u>4,805</u>
TOTAL REVENUES	<u><u>\$321,431</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

December 22, 2008

City Council
City of Houghton
Houghton, MI 49931

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each fund of the CITY OF HOUGHTON, MICHIGAN as of and for the year ended June 30, 2008, which collectively comprise the CITY OF HOUGHTON, MICHIGAN'S basic financial statements and have issued our report thereon dated December 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the CITY OF HOUGHTON, MICHIGAN'S internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CITY OF HOUGHTON, MICHIGAN'S internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CITY OF HOUGHTON'S internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the CITY OF HOUGHTON, MICHIGAN'S ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the CITY OF HOUGHTON, MICHIGAN'S financial statements that is more than inconsequential will not be prevented or detected by the CITY OF HOUGHTON, MICHIGAN'S internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Item 2008-1 and Item 2008-2 to be significant deficiencies in internal control over financial reporting.

The CITY OF HOUGHTON, MICHIGAN'S response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the CITY OF HOUGHTON, MICHIGAN'S response and, accordingly, we express no opinion on it.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the CITY OF HOUGHTON, MICHIGAN'S internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CITY OF HOUGHTON, MICHIGAN'S financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under **Government Auditing Standards** and which are described in the accompanying schedule of findings and questioned costs.

This his report is intended for the information and the use of the City Council, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Joseph M Daavetila, PC

Certified Public Accountant

JOSEPH M. DAAVETILA, P.C.
CERTIFIED PUBLIC ACCOUNTANT
417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931

December 22, 2008

City Council
City of Houghton
Houghton, MI 49931

Report on Compliance With Requirements Applicable
to Each Major Program and On Internal Control
Over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of the City of Houghton, Michigan with the types of compliance requirements described in the **U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement** that are applicable to its major federal program for the year ended June 30, 2008. The City of Houghton, Michigan's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Houghton, Michigan's management. Our responsibility is to express an opinion on the City of Houghton, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and OMB Circular A-133, **Audits of States, Local Governments, and Non-Profit Organizations**. Those standards and OMB Circular A-133 require that we plan and perform this audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Houghton, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Houghton, Michigan's compliance with those requirements.

In our opinion, the City of Houghton, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Houghton, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Houghton, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Houghton, Michigan's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joseph M Daavettila, PC

Certified Public Accountant

CITY OF HOUGHTON, MICHIGAN

EXPENDITURES OF FEDERAL AND SELECTED STATE AWARDS
Year ended June 30, 2008

<u>Federal and State Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant No./ Authorization Number</u>	<u>Program Award Amount</u>
Federal Awards:			
U.S. Department of Transportation:			
Passed through Michigan Department of Transportation			
Federal Transit Capital Grants:			
Capital Grant - Section 5309 (80/20)	20.500	2002-0046/Z15	\$ 260,045
Capital Grant - Section 5311 Capital (80/20)	20.509	2002-0046/Z16	6,900
Capital Grant - Section 5309 Capital (80/20)	20.500	2002-0046/Z17	<u>121,745</u>
Total Federal Transit Capital Grants			<u>\$ 388,690</u>
Operating Assistance - Section 5311:			
FY07 Section 5311	20.509	2002-0046/Z2	\$ 14,083
FY08 Section 5311	20.509	2002-0046/Z4	<u>56,968</u>
Total Operating Assistance - Section 5311			<u>\$ 71,051</u>
Rural Transit Assistance Program (RTAP)	N/A	N/A	<u>\$ 3,159</u>
Total U.S. Department of Transportation			<u>\$ 462,900</u>
Other Federal Awards -			
U.S. Department of Housing and Urban Development:			
Community Development Block Grants/ State's Program	14.228	MSC206058-EDIG	<u>\$1,000,000</u>
Total Federal Awards			<u>\$1,462,900</u>
Selected State Awards:			
Michigan Department of Transportation:			
Operating Assistance - Act 51 - Nonurban	N/A	N/A	\$ 162,704
Specialized Services	N/A	07-0226/Z1	15,415
Specialized Services	N/A	07-0226/Z3	<u>35,223</u>
Total Selected State Awards			<u>\$ 213,342</u>
			<u><u>\$1,676,242</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

<u>Current Year's Expenditures</u>				<u>Prior Year's Expenditures</u>	<u>Award Amount Remaining</u>
<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>Local</u>		
\$ 198,603	\$ 158,882	\$ 39,721	\$ -	\$ 57,939	\$ 3,503
4,793	3,834	959	-	2,107	-
<u>120,759</u>	<u>96,607</u>	<u>24,152</u>	<u>-</u>	<u>-</u>	<u>986</u>
\$ <u>324,155</u>	\$ <u>259,323</u>	\$ <u>64,832</u>	\$ <u>-</u>	\$ <u>60,046</u>	\$ <u>4,489</u>
\$ 14,083	\$ 14,083	\$ -	\$ -	\$ -	\$ -
<u>56,968</u>	<u>56,968</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>71,051</u>	\$ <u>71,051</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>3,159</u>	\$ <u>3,159</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>398,365</u>	\$ <u>333,533</u>	\$ <u>64,832</u>	\$ <u>-</u>	\$ <u>60,046</u>	\$ <u>4,489</u>
\$ <u>949,313</u>	\$ <u>949,313</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>1,347,678</u>	\$ <u>1,282,846</u>	\$ <u>64,832</u>	\$ <u>-</u>	\$ <u>60,046</u>	\$ <u>4,489</u>
\$ 62,704	\$ -	\$162,704	\$ -	\$ -	\$ -
15,415	-	15,415	-	-	-
<u>35,223</u>	<u>-</u>	<u>35,223</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>213,342</u>	\$ <u>-</u>	\$ <u>213,342</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>1,561,020</u>	\$ <u>1,282,846</u>	\$ <u>278,174</u>	\$ <u>-</u>	\$ <u>60,046</u>	\$ <u>4,489</u>

CITY OF HOUGHTON, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND SELECTED STATE AWARDS
For the year ended June 30, 2008

1. Federal expenditures represent only the program expenditures that are eligible for federal participation.
2. This schedule is presented on the modified accrual basis of accounting. Please refer to Note A of the financial statements for other significant accounting policies.

CITY OF HOUGHTON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>		
Internal control over financial reporting: Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No	
Significant deficiencies identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No	

Federal Awards

Internal control over major programs: Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiencies identified that are not considered to be material weakness(es)?	<u> </u> Yes	<u> X </u> None Reported	

Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) Circular A-133?	<u> </u> Yes	<u> X </u> No	

Identification of Major Programs:

<u>CFDA Number</u> 14.228	<u>Name of Federal Program or Cluster</u> Community Development Block Grant/ States Program
Dollars threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
Auditee qualified as low-risk audited?	<u> </u> Yes <u> X </u> No

CITY OF HOUGHTON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2008

SECTION II - FINANCIAL STATEMENT FINDINGS

2008-1 PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

Criteria

All entities are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both recording, processing, and summarizing accounting data (i.e., maintaining internal control over books and records), and reporting government-wide financial statements including related footnotes.

Conditions

As in the case with many small entities, the City has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its external auditors, who cannot by definition be considered a part of the internal control.

Cause

Due to the lack of knowledge, expertise and education relative to preparing GAAP financial statements possessed by the financial department, management has made the decision that it is in their best interest to outsource the preparation of its annual financial statements to the auditors rather than incur the time and expense of obtaining the necessary training and expertise required for the City to perform this task.

Effect

As a result of this condition the City lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials

The City has evaluated the benefits of establishing internal control over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the City to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them to accept responsibility for their content and presentation.

2008-2: AUDIT ADJUSTMENTS

Statement of Condition/Criteria:

Material audit adjustments were required to properly accrue revenues and expenditures and to record capital asset activity.

Response/Status:

Management will review procedures to properly accrue revenues and expenditures and to properly record capital asset activity.

CITY OF HOUGHTON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2008

2008-3 BUDGET NONCOMPLIANCE

Statement of Condition/Criteria:

Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended June 30, 2008, the City incurred expenditures in excess of amounts appropriated as follows:

	Total <u>Appropriation</u>	<u>Expenditures</u>	Budget <u>Variance</u>
General	\$ 2,862,500	\$ 2,885,147	\$ 22,647
Revolving	600	191,596	190,996

The City had a deficit in unrestricted net assets in the following funds and component unit:

	<u>Deficit</u>
Parking System	\$ 290,340
Transit	12,133
Downtown Development Authority	709,347

Effect:

The City has not complied with various State statutes.

Cause of Condition:

Budget amendments were not made prior to the expenditure of funds.

Recommendation:

Budget amendments should be made prior to the expenditure of funds.

Status:

Management will review budgets monthly and make amendments as deemed necessary.

SECTION III - FEDERAL AWARDS - FINDINGS AND QUESTIONED COSTS

None

CITY OF HOUGHTON, MICHIGAN

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended June 20, 2008

A. Findings and Questioned Costs - Major Federal Award Programs
Audit

None

JOSEPH M. DAAVETILA, P.C.
CERTIFIED PUBLIC ACCOUNTANT
417 Sheldon Avenue, P.O. Box 488
Houghton, Michigan 49931

December 22, 2008

City Council
City of Houghton
Houghton, MI 49931

We have audited the financial statements of the City of Houghton, Michigan (the City), for the year ended June 30, 2008 and have issued our report thereon dated December 22, 2008. Professional standards require that we provide you with the following information related to our audit.

Significant Auditing Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transactions occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the City's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Some of the misstatements detected as a result of audit procedures and corrected by management were material, and were made to properly accrue revenues and expenditures and to record capital asset activity.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 22, 2008.

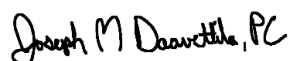
Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accounting to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature of Joseph M. Daavettila, PC in black ink.

Certified Public Accountant